



**Innovative Social Policies for Inclusive and
Resilient Labour Markets in Europe**



Belgium

National report on the labour market position of vulnerable groups

The research leading to these results has received funding from the European Community's Seventh Framework Programme under grant agreement No. 320121 (Project INSPIRES)



INSPIRES
Working paper series 2014 no. 2
ISSN 2215-1605

National report on the labour market position of vulnerable groups in Belgium

To be cited as: Van Dooren, G., Struyven, L. & Cooman, S. (2014). National report on the labour market position of vulnerable groups in Belgium. Leuven: University of Leuven.

This report is part of work package number 2 of the INSPIRES project. The INSPIRES project is a collaborative research project of thirteen universities in eleven countries, funded by the European Union. The goal of the INSPIRES project is to contribute to the resilience and active inclusion of labour markets in European countries by identifying innovative policies that contribute to resilience and inclusiveness and by analysing strategies of policy learning that facilitate the development and transfer of these innovations within and across European countries.

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List of abbreviations

ALMP	Active Labour Market Policies
CGKR	Centre For Equal Opportunities and Opposition to Racism
FOD WASO	Federal Public Service Employment, Labour, Social Dialogue
HRW	High Council of Employment
NBB	National Bank of Belgium
RSZ	National Social Security Office
PES	Public Employment Service
OCMW	Public Social Welfare Centre
SEO	Social Economy Organisation

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1 | Belgium: a general introduction

1.1 Country's political and demographical structure

Belgium is a federal state, composed of three language-based communities – the Flemish, the French and the German-speaking Community – and three territorial regions – the Flemish, the Walloon and Brussels Capital Region. The official languages are Dutch, French and German. Belgium has about 11 million inhabitants, of which roughly 60% lives in the the Flemish Region, a third in the Walloon Region and 10% in Brussels-Capital. The demographic structure between the regions differ: the population in Brussels is becoming younger while the population in the other two regions is growing older (CGKR, 2012). Members of the Dutch-speaking Community live in the Flemish Region and in Brussels-Capital, those of the French-speaking Community in the Walloon Region and in Brussels-Capital and those of the German-speaking Community in the Walloon region.

Competencies are shared between the federal state, the regions and the communities. Besides the federal government, each region and each community has its own government, but the governments of the Flemish Region and the Flemish Community have been merged.

The powers of the Federal state, broadly speaking, cover everything connected with the public interest: social security, public finances, the judicial system, labour legislation, collective agreements, etc.

Regions have powers in fields that are connected with their region or territory in the widest meaning of the term: economy, technological development and applied research, employment, professional training, housing, transport, etc.

The communities have powers in matters relating to the individual: education and fundamental research, assistance, health and culture. In Flanders, the Community and Regional institutions were merged.

1.2 Actors and responsibilities of labour market policy and implementation

With regard to labour market policy, the federal state is responsible for the ‘passive’ component, while the ‘active’ component is a shared responsibility between regions, communities and the federal government. However, due to the 6th state reform, important changes to labour market responsibilities will take place. The state reform embodies a devolution of spending responsibilities to the communities and regions and should be fully implemented by 2015. The regions will have more competences regarding ALMP: occupational training, a set of employment incentives (e.g. reductions in social security contributions for specific target groups will become a competence of the regions while general reductions in social security contributions will stay at the federal level),

direct jobcreation (for example the service vouchers¹) and controlling and sanctioning active jobsearch behavior will go to the regions (but the normative framework will stay federal). The transfers of competences and budgets create a window of opportunity for reform.

First of all there is the Federal Public Service Employment, Labour and Social Dialogue (FOD WASO: *Federale Overheidsdienst voor Werkgelegenheid, Arbeid en Sociaal Overleg*) that guarantees the balance between employers and employees in their labour relations, the wellbeing of workers and the development of social legislation. Every region also has a department that has responsibilities regarding the policy domain of employment.

The *National Social Security Office* (RSZ: *Rijksdienst voor Sociale Zekerheid*) collects and manages the social contributions of employers and employees used to finance the various branches of social security. It collects and distributes the basic administrative data for other social security institutions.

The *National Employment Office* (RVA: *Rijksdienst voor Arbeidsvoorziening*) manages and activates the unemployment benefits. It implements certain employment measures and schemes for temporary working time reductions. The RVA is in charge of administering sanctions for non-compliance with the conditions linked to the reception of unemployment benefits, based on information provided by the public employment services. However, due to the state reform the implementation of controls and sanctions of active jobsearch behavior will go to the regions.

The *Federal Public Service Social Integration, anti-Poverty Policy, Social Economy and Federal Urban Policy* (POD MI: *Programmatorische Overheidsdienst Maatschappelijke Integratie*) aims to guarantee a dignified existence to all persons who do not qualify for social security and who live in poverty. It has competences to activate persons on social benefits.

The *local social welfare offices* (OCMW: *Openbare Centra Voor Maatschappelijk Welzijn*) run by the municipalities, are responsible for the administration of social welfare benefits ('living wages' and other benefits) and also offer a number of activation measures (employment and guidance in the employment path) and other services (for example debt settlement and budget guidance). Due to the 6th state reform the labour market guidance of social benefit recipients will become a regional responsibility.

Every region in Belgium has its own *public employment service* (PES). VDAB is the Flemish PES, Forem is the Walloon PES, Actiris is the Brussels Capital PES, and the ADG is the PES for the German-speaking community.

1.3 Welfare system

Belgium has a well-developed social security system with universal health coverage. Employers and employees both pay social security contributions as a percentage of gross income.

It is compulsory to register with a **health insurance** fund as soon as a person has an income (from employment, unemployment or self-employment). If a worker is not able to work due to illness or accident the health insurance pays a substitute income for a certain period of time.

¹ The service voucher scheme is a consumer subsidy introduced in 2004 to create jobs in the domestic service sector (and reduce informal employment) by encouraging demand for these services through highly subsidised prices. The domestic workers have a contract with a registered service company, but carry out the domestic work at the user's residence.

The mandatory **unemployment insurance** is quite unique in that benefits last for the duration of unemployment. To be able to claim unemployment benefits workers have to be able to prove a sufficient number of working days during a particular reference period. School-leavers are entitled to it after a 'professional integration period' of one year (a nine month period called 'waiting time' before 2012)².

Social welfare benefits are paid out by the Public Social Welfare Centres (OCMW's). Formally it is not the OCMW's duty to provide an income but to realise social integration preferably sought through employment. An instrument to realize this is the individualised project for social integration, a kind of 'integration contract' which stipulates the best fitting route to integration (for example through education). Only if employment is impossible or not yet possible, a person has the right to financial aid, called living wages. The amount is dependent on household situation.

The **retirement pension** is a 'Pay-As-You-Go system' (Hoj, 2013) calculated according to the duration of the career and the received wages. The normal pension age is 65 and a full career takes 45 years for men and women. Before 2009 the normal retirement age was 65 for men and 60 for women and a 45 year working career for men versus 40 years for women.

1.4 The schooling system

The educational system is organized by the communities. Compulsory schooling starts at age six and ends at eighteen. Secondary education is possible in 4 disciplines (general and technical education, art school and vocational training), starts at the age of 12 and is divided in three degrees of 2 years. Belgium's education systems perform better than the EU average (EC, 2013a), but there are differences between the communities.

The system is characterized by **grade repetition** and **early tracking** with an (implicit) hierarchical ordering of the tracks (from general, to technical to vocational tracks). This result in a so called '**cascade system**': many pupils who start in the 'higher' tracks are gradually forced down the cascade by a system of reorientation at the end of each school year. Technical and vocational tracks therefore attract more low-ability and discouraged pupils, which is detrimental to its image (Cockx, 2013). Both the hierarchical ordering of the tracks and the use of retention as a policy of remediation is more pronounced in the French than in the Flemish Community (HRW, 2009, p. 80). In 2008, as much as 58% of French speaking pupils had accumulated at least one year of schooling delay in the fifth year of secondary school, compared to 35% for the Flemish pupils (Cockx, 2013, pp. 8-9).

Combining education with work is quite uncommon in Belgium. The **education to work transition** is in many cases **quite abrupt** as apprenticeship schemes, internships and small hours student jobs are not well developed (Hoj, 2013, p.16). From 16 years onwards, students in the vocational track can enter part-time education, but in 2008 only 3% of youth, aged between 15 and 29 combined studying with working, while this share is 12% in the EU-15 (HRW, 2009, p. 14). Moreover, part-time students have many difficulties in finding employment during this period (Cockx, 2013).

Overall performance is marred by **early school leaving**, strong **differences between nationals and pupils with migrant background**, **low participation in adult learning** - in particular

² Before 2012 individuals were entitled to these unemployment benefits (at that time called 'waiting allowance') for an indefinite period. Since January 2012, cohabitant school-leavers are only entitled to an 'insertion allowance' for a maximum period of three years. For other school-leavers, this time limit of three years starts to count only from the age of 30 (Cockx, 2013).

among older workers - and **varying degrees of school autonomy** in the different education networks (EC, 2013a).

Belgium disposes of a **qualified workforce** reflected in the fact that the European 2020 target that calls for a minimum of 40% of the population aged 30-34 to complete higher education is already reached (EC, 2013b). In 2010, this indicator already reached 44.4% in Belgium so that the 2020 target has been set at 47% for Belgium. However, the number of graduates in science and technology is relatively low in Belgium (accounting for 15.8% of the new tertiary education graduates in 2008 compared to the EU average of 21.9%) resulting in a mismatch between labour supply and demand (EC, 2013b, p.47).

1.5 Labour market regulation

1.5.1 The employment protection legislation

When looking at the OECD index for protection of permanent workers against individual dismissal (taking into account procedural inconvenience, notice and severance pay as well as difficulty of dismissal), Belgium is close to the OECD average (OECD, 2013b, p 83). With regard to collective dismissal, Belgium has one of the most stringent legislation in the world (Belgium has the highest value in the OECD of the indicator for additional provisions for collective dismissals that quantifies additional restrictions, over and above those for individual dismissals, OECD, 2013b, p. 85). With regard to the regulation on temporary contracts Belgium finds itself close to the OECD average (OECD, 2013b, p. 92).

It is important to take notice of the fact that in Belgium a difference is made between **white and blue collar workers**. They have different working contracts, holidays, dismissal rules, etc. This was ruled to be discriminatory and unconstitutional and as of 2014 the differences will be removed thanks to a uniform statute ('eenheidsstatuut') for both types of workers. According to Cockx (2013, pp. 4-5) Belgian employment protection legislation (EPL) is probably among the strictest in the OECD for high-wage white collar workers, while the reverse holds for blue collar workers.

1.5.2 The wage setting system

Belgium is a **highly coordinated country**, characterized by the presence of strong and influential trade union actors (Degryse, Jepsen, & Pochet, 2013). **Collective bargaining** takes place at three levels: national, sectorial and firm level. At the national level social partner organisations represented in the National Labour Council conclude an 'interprofessional agreement'. In this agreement the 'wage norm' for maximal wage increases (with the upper limit determined by the expected wage developments in the neighbouring countries) and the minimum wage are set. The interprofessional agreement acts as a framework for collective agreements at sectorial level. These include various topics like industry job classification systems, which wage increases are implemented and in what manner as well as the method to adapt wages to inflation. Upon request by the signatory parties, they can be made legally binding by Royal Decree, conditional on approval by the government, for all companies and employees represented by the sector committee (EC, 2013b, p.16). The sectorial wage agreements cover more than 90% of all employees (Hoj, 2013). Firm-level agreements are bound by the agreements concluded at sectorial level.

The **minimum wage** varies much between sectors. In most sectors a higher minimum wage than the one in the interprofessional agreement is negotiated (Cockx, 2013). At the beginning of 2013 the minimum wage varied between € 7 and € 18.50 an hour (HRW, 2013, p18). Currently there is a phasing in of the minimum wage by age, the reduced rate is 70 percent for those aged less than 17, gradually increasing to 100% at age 21. This will be abolished by 2015 (Cockx, 2013).

Belgium has a system of **automatic wage indexation** that is included in all sectoral wage agreements and takes place when the health index (a consumer price index without items such as transport fuels, tobacco and alcohol items) reaches a certain threshold (typically applied to public wages and in some private sectors) or at fixed intervals (most private sectors). The health index is also used for indexing benefits and other social transfers, subsidies (e.g. the service vouchers) and in the health care sector (e.g. doctors' fees). This mechanism ensures that unexpected inflation translates into higher wages (Hoj, 2013, p.24).

The wage system used to be age based but became slightly more flexible as a system where pay grade schemes are based on competence or **seniority** (implemented in 2007 and effective in wage contracts from 2009, following an EU court ruling that age based wage systems are discriminatory) (OECD, 2009). According to Hoj (2013, who cites Babecky et al., 2009) this results in rigid real wages, which forces firms to adjust labour costs via labour inputs, explaining the high take up of reduced working time schemes and the encouragement of older workers to leave (on early retirement) so they can be replaced by cheaper (because of the strong seniority element in wages) younger workers.

1.6 Socio-economic structure

The Belgian labour market is characterized by a large proportion of **small enterprises**. The larger organizations (>250 workers) represent only 0.2% of all organizations in Belgium. Small enterprises (<250 workers) represent 99.8% of all Belgian companies, while micro-enterprises (<10 workers) represent 94% of all Belgian companies (2011; source: Eurostat).

The economy as a whole strongly depends on the **public sector**. As a result, the labour market is less sensitive to cyclical fluctuations. Furthermore, the economy traditionally relied on industrial sectors, including a number of vulnerable sectors such as the textile or assembly sectors. The important role of commercial services is reflected in high start-up and closing levels, although the proportion of startups is below the European average. Strong job creation in the health care sector and, more recently, service voucher activities, resulted in steady annual employment growth.

Belgium has been moving progressively towards a **service-based economy** over the past decades (EC, 2013b). The tertiarisation of Belgian employment since 2007 is on a faster pace than before the crisis (HRW, 2013, p. 37). When comparing 2007 with 2011 (most recent data available) the sector of business services, which comprises the service vouchers and tempagancy companies, has risen in particular. In 2011 in all three regions more than 3/4th of jobs were in the service industry, in Brussels even 9 out of 10 jobs (HRW 2013, p 38). Government administration and international institutions (e.g. EU and NATO) are concentrated in Brussels resulting in a high demand for higher educated profiles. In 2011 25.1 % of jobs in Brussels were in the sector of government and education, compared to 20.4% In Wallonia and 14.1% in Flanders (Ibid).

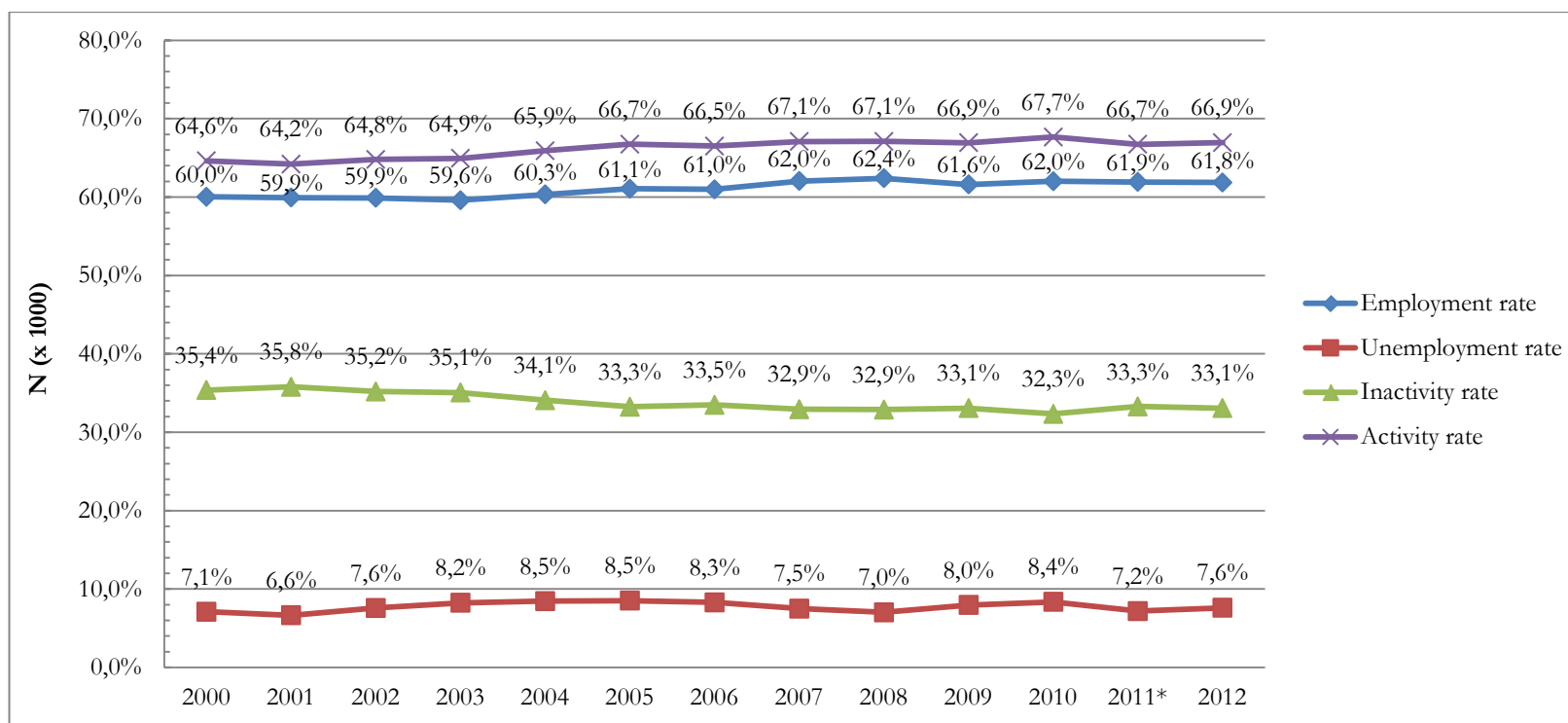
The **industry is in decline**. Whereas it represented 20 % of paid employment in 2000, that share has fallen to just 15 % in 2012 (NBB, 2012, p. 133). In 2011 the share of industry employment was

15.4% in Flanders, 12.6% in Wallonia and 4.4% in Brussels. This economic structure results in Flanders being more sensitive to the business cycle than the other regions. The HRW (2013, p. 64) illustrates this with the number of workers affected by firms intentions for collective dismissals from January to December 2012: 938 workers in Brussels, 3539 in Wallonia and 12 230 in Flanders.

Belgium is still specialised in **medium technological goods** (which are easily substituted and are thus more exposed to competition from lower wage countries) and the share of high tech goods in total exports (despite its increase) is still below 20% (EC, 2013b)

1.7 Labour market participation

Figure 1.1 Evolution of the socio economic position of the Belgian population (15-64 year olds), 2000-2012



* Break in the data³

Source FOD Economie - Algemene Directie Statistiek – EAK / Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

³ Before 2011 the question about job search was not linked explicitly to a certain period of time. As of 2011 the question concerns the month of reference. Because this question is one of the criteria to determine if a person is unemployed or inactive according to the ILO definitions, the data are not perfectly comparable.

Belgium suffers from below-average and stagnating labour market participation and high (un)employment disparities across regions and population subgroups. The Flemish region performs best with regards to activity rate, employment rate and unemployment rate. According to the European Commission (EC, 2013a) both issues have a number of drivers, such as the erosion of cost-competitiveness, high labour taxation, still low overall innovation capacity and low job creation potential in certain areas where the predominant industrial mix is in decline, limited labour mobility, persisting educational, geographical and skills mismatches and ineffective activation policies.

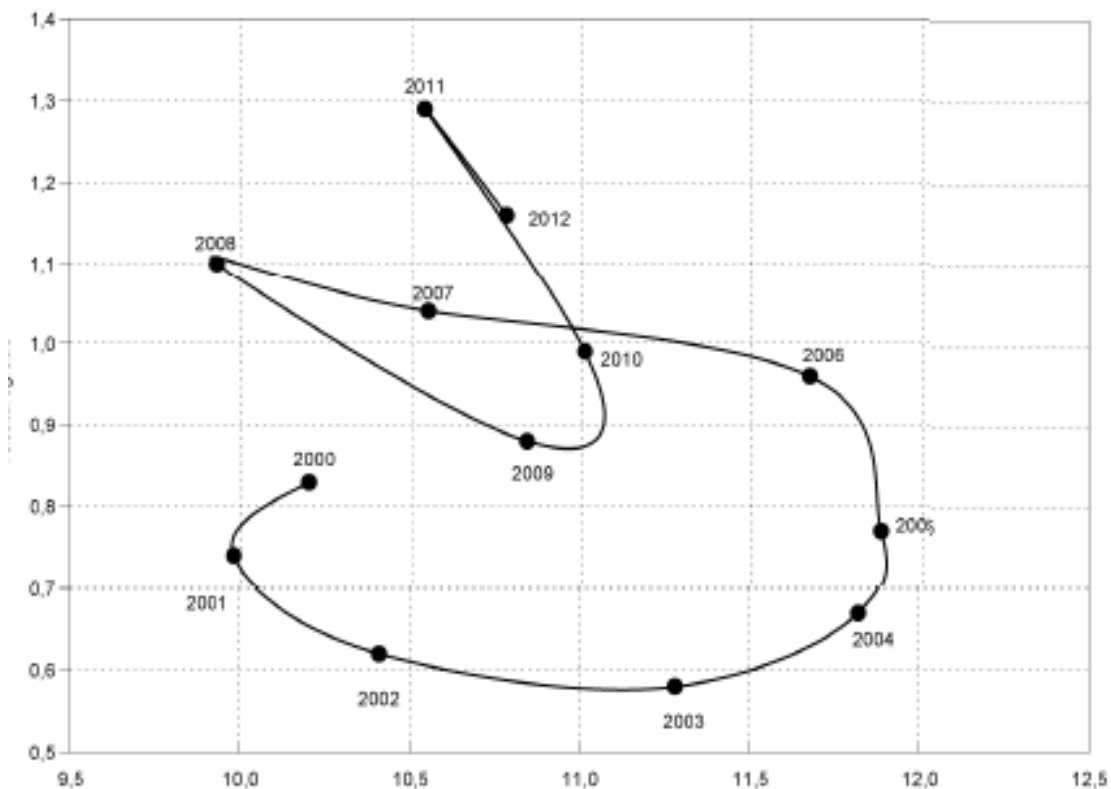
Because of the state structure and the division of competences amongst the federal, regional and communal level most of the (labour market) statistics in Belgium are broken down regionally. In the rest of this paper we will do this as well. However, we will not always go into the regional differences more deeply. Regional survey data require extra caution because of differences in non-response and small numbers of respondents (especially for Brussels capital region versus the much bigger regions of Flanders and Wallonia). According to our interviewees the regional level is for some vulnerable groups not the most relevant level to look at with regard to differences in labour market participation. For migrants and youth for example the urban level would be more relevant. In addition, we could not always find (in literature or interviews) a sound explanation for regional disparities. In general the regional unemployment rate differences can be ascribed to a mismatch in labour supply and demand and low geographical mobility (HRW, 2013). The interviewed experts of the National Bank of Belgium (NBB) *ascribe regional differences mainly to the structure of the labour market and the population structure according to age, education,...*

1.8 Structural problems of the Belgian labour market

1.8.1 Educational, geographical and skills mismatches

The Belgian Beveridge curve, that offsets the vacancy rate (y-axis) to the registered unemployment rate (x-axis), gives insight to mismatches between supply and demand on the labour market. The vacancy rate expresses the number of vacancies as a proportion of the labour force.

Figure 1.2 Belgian Beveridge curve – vacancy rate* versus administrative unemployment rate** (percentages of labour population, yearly averages)



* Vacancies as registered by the PESs, except vacancies from temporary employment agencies and subsidized programs. Because of non-availability of data before April 2009 the FOREM vacancies were estimated based on the 2000-2009 flows.

** Percentage based on the unemployed registered with RVA

Source HRW, 2013, p 76 – Actiris, FOREM, INR, RVA, VDAB, computations by HRW

It has moved out during the 2000s, which means that the matching process deteriorated. According to Hoj (2013) this probably reflects the impact of policies to activate older workers and the long-term unemployed, which made it more likely that these groups would report some job search and therefore be classified as unemployed in labour-force-survey statistics. Hoj interprets the persistence of the outward movement as a continuing difficulty in achieving employment outcomes for the unemployed, especially for older groups on the labour market. The effect of the crisis can be seen clearly as the curve moves out sharply, the vacancy rate dropped as the unemployment rate went up. According to Zimmerman (2012) it's too soon to conclude that mismatches are growing since the crisis. Zimmerman explains the mismatches by difficulties related to the educational level

and the place of residence of workers. The labour reserve counts too little higher educated profiles and a relatively large part is lower educated while the demand for this type of profile is relatively low. Brussels has the highest mismatch: the demand focusses on higher or specific profiles because of the government and international institutions while most of the resident unemployed are lower educated. Apart from skills, geographic mobility can explain part of these mismatches. In Brussels most of the jobs are taken up by non-residents. In Wallonia and Flanders on the other hand, a large part of the jobs are taken up by residents. Exchanges between these two regions are rather low as well as the commuting from Brussels to these regions (except to the Flemish province of Vlaams-Brabant that borders Brussels). Zimmer identifies some structural barriers to geographical mobility like language, hard to reach workplaces and the costs of certain professions.

According to our interviewees at the NBB *next to the mismatches in the qualifications, there is also a mismatch in disciplines of study (e.g. STEM disciplines: science, technology, engineering, mathematics).*

1.8.2 Mobility on the labour market

In Belgium, mobility on the labour market is a key problem according to several of our interviewees. They further agree on the presence of a **dual labour market**: a primary labour market with good conditions of employment and stable jobs and an unstable secondary market with short-term and part-time jobs and lower wages. Transitions from the second to the first are very difficult. This creates outsiders who tend to move from one temporary contract to another while insiders enjoy high protection and greater job stability (OECD, 2013b).

According to experts of the Federal Public Service Employment, Labour and Social Dialogue (FOD WASO) *there is a general problem concerning the **entry to the labour market**. This creates **insiders versus outsiders**. The main reason is a lack of dynamism on the labour market, with respect to **job-job mobility**. They describe our labour market as a tram that is full and where nobody ever gets off. If you are not on the tram you have to wait a long time to get on one. After a certain waiting period people just give up. Once you are out, you never get back in. The experts continue that because of this most measures are targeted at getting people into a job but not at keeping them on the job. Vulnerable groups might need some extra support on the job.*

According to Bevers (2013) mobility is hampered by stringent employment protection legislation. Protection against dismissal can discourage dismissal but also new hires and resignations (because of the accumulated protection or rights). Because there is little movement on the labour market, new entrants can experience difficulties finding a job. This weakens the position of low qualified and people with a migrant background in the margin of the labour market (Bevers, 2013).

The experts at the FOD WASO diagnose that *it is a necessity for companies to keep their inner core of trained workers because they know they can't get them from anywhere else. Workers won't leave from other companies because they would lose too much acquired rights. Moreover, employees in other companies don't invest in training because they assume that they will stay in that company till the end of their career.*

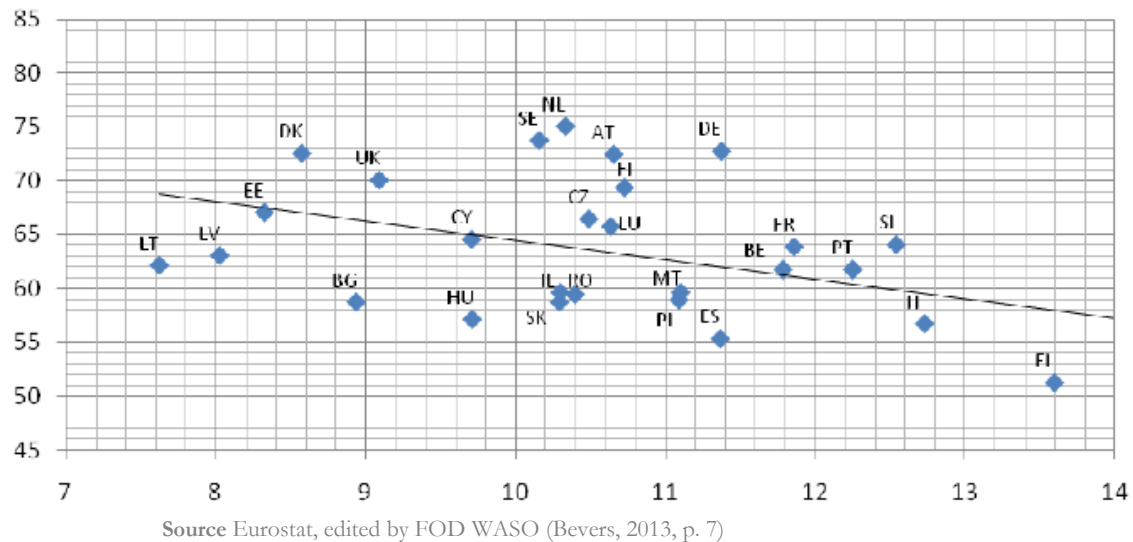
DynaM deciphered the **mobility inside sectors** in Belgium (their net mobility rate is based on job destruction and job creation). The governmental sectors (e.g. government administration, education) have low mobility but also industrial sectors (e.g. chemistry, textile) have low mobility (Vandekerckhove, Struyven & Heylen, 2013).

According to the FOD WASO experts, *collective bargaining and the sectoral structure, with deviating rules in every sector, creates segmentation. De facto there are approximately 170 bargaining units (paritary (sub) committees). **Intrasectoral mobility** is hampered because workers don't want to lose the rights they acquired in a certain sector. The experts continue that the dynamics to temporarily get out of the labour market are better. There are a lot of measures (timecredit, pré-pensions etc.) but you have to be embedded very well in the labour market*

to get access to these interesting measures. Only if you are an insider this is possible. They conclude that there is **mobility for insiders not for outsiders**.

High wage costs and employment protection legislation are part of the problem according to the FOD WASO experts. *Employers won't risk hiring a low-educated (young) person or a migrant because the cost is too high. When you hire someone, it has to be right the first time. The age/seniority based wages pose a problem for the mobility (inter-sectorial, job-job and inactivity or unemployment to employment) of older workers.*

Figure 1.3 Employment rate (%) versus average seniority in years, (15-64 year olds, 2012)



The experts at the National Bank of Belgium (NBB) agree that *wage costs are of importance. According to them this is reflected by the success of measures which were extended during the crisis (e.g. Activa win-win which has a strong focus on young jobseekers and older (long-term) unemployed) addressing the high labour costs of certain target groups for a strictly limited period of time.*

The FOD WASO experts further state that *mobility between sectors is hampered by (subjective) **acquired rights** like early retirement or dismissal compensation. The incentives to search for a new job in another sector are low and the incentives to dismiss employees gradually become absent because of high dismissal costs. This induces employers to react in shocks. A good example is the car industry in Belgium: workers don't leave this industry gradually, but now and then a whole factory is closed down.*

1.8.3 Low investment in lifelong learning

According to our interviewees at the Federal Public Service Employment, Labour and Social Dialogue (FOD WASO) the *lack of mobility makes that investment in training is low. This can have effects on the employee side as well: because an employee stays in one job/sector for a long time he might not see the point in learning something new or different.*

The interviewed labour market researcher observes that *the need to invest in lifelong learning (LLL) is a new risk because the labour market got more flexible with phenomena like jobhopping etc. Companies mainly invest in young employees. On the other hand older higher educated employees do participate more in training. It is possible that they get more opportunities from their employers and/or have more opportunities themselves to participate in*

training. The researcher puts forward a critical remark in this debate: the Belgian educational system is good compared to other countries, so maybe we shouldn't invest in LLL as much as other countries.

1.8.4 Division of competences

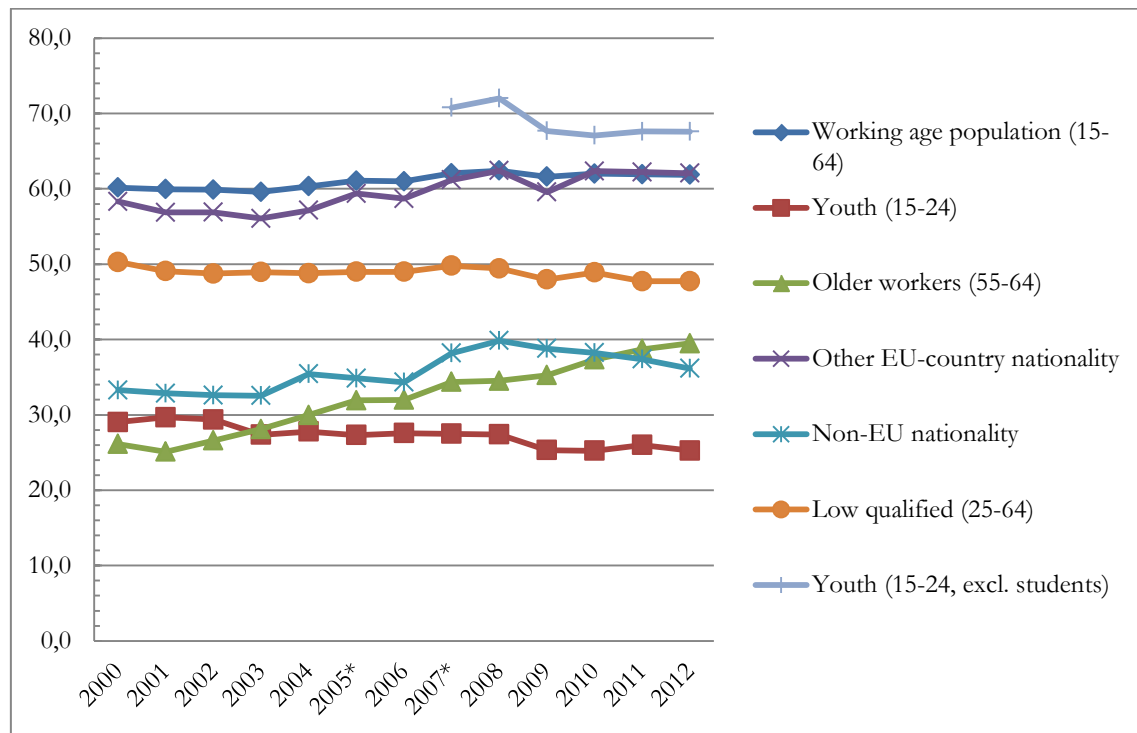
The Council of the EU recommended for Belgium a simplification and reinforcement of coherence between employment incentives, activation policies, labour matching, education, lifelong learning and vocational training policies for older people and youth (Council of the European Union, 2013). According to the interviewed labour union expert *there used to be too much 'waffle iron politics', an expenditure policy whereby money for a project in one region always needed to be compensated by similar spending in the other region, which led to every region having its own vulnerable groups for which funds were needed for targeted policies. The lack of coordinated policies leads to low efficiency.* But according to the FOD WASO experts, *the Belgian state structure did not hamper taking swift anti-crisis measures. It does make it more difficult to design a coherent structural or long term labour market policy. Since 2003 there has been no structural consultation between the federal, regional and social partners on a general direction for the labour market.*

2 | Vulnerable groups on the Belgian labour market

2.1 General introduction – who is vulnerable?

To get a good idea of the groups that are vulnerable on the Belgian labour market we will start by comparing their employment and unemployment rates. The rates of the overall working age population in Belgium can be used as a reference level. As regards disabled people, we unfortunately could not find (comparable) data for Belgium.

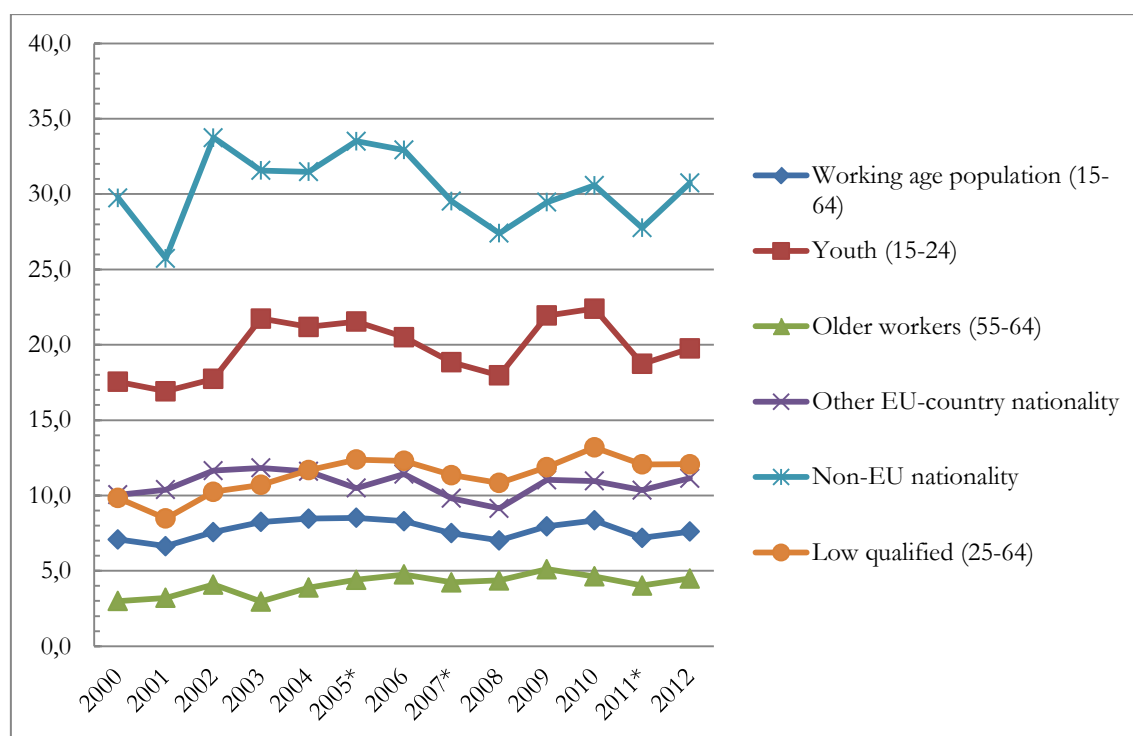
Figure 2.1 Employment rate vulnerable groups Belgium, 2000-2012 (%)



* Until 2004 EU-15, as of 2005 EU-25, as of 2007 EU-27

Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Figure 2.2 Unemployment rate vulnerable groups in Belgium, 2000-2012 (%)



* Until 2004 EU-15, as of 2005 EU-25, as of 2007 EU-27, in 2011 the phrasing of the questions in the LFS changed

Source FOD Economie - Algemene Directie Statistiek – EAK / Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

The employment rates show that young people, older workers and non-EU nationals are among the population subgroups participating least in employment. With regards to unemployment, non-EU nationals and young people stand out with high unemployment rates. Older workers seem to do better with regards to unemployment, but the low rate can be explained by the high prevalence of early retirement systems in Belgium. According to the Council of the EU, people with a migrant background, the elderly and low-skilled youth do not only participate the least in the Belgian labour market, they are also exposed to higher risks of poverty and social exclusion (Council of the EU, 2013).

Apart from the vulnerable groups INSPIRES focuses on, two other groups are identified by our interviewees as particularly vulnerable on the Belgian labour market: the low educated⁴ and the long term unemployed. The long term unemployed are vulnerable because they often lack relevant work experience. According to an interviewed Flemish government official specialized in older workers, *they sometimes lack certain labour attitudes, technical skills and specifically for Flanders were not intensively followed up by the PES before 2009*. Interviewed experts from the FOD WASO also mention this *lack of follow-up (which will be intensified in the near future) in combination with the unlimited duration of unemployment benefits*. Because this group is not an explicit priority in Belgian labour market policy and statistics are hard to come by, we won't focus on this group in the report. We will however focus on the low educated though. According to all the interviewees this is a very important vulnerable group in Belgium. Interviewed officials of the NBB even named them as the most important group. Experts from the

⁴ Low educated/qualified refers to pre-primary, primary and lower secondary education, medium educated refers to upper secondary education and post-secondary non-tertiary education and highly educated refers to tertiary education.

Federal Public Service Employment, Labour and Social Dialogue (FOD WASO) point out that *the one thing vulnerable groups on the Belgian labour market have in common is that they are often low educated*.

We will start by introducing the different vulnerable groups defined by INSPIRES, along with the low educated. We will search for explanations for their vulnerability by drawing on statements that were put forward during the interviews, supplemented with more detailed insights from research and expert reports.

2.2 The disabled

2.2.1 Who are they?

(Unbiased) data on the disabled are hard to come by because there is no registry for disability thus survey data, self-assessments, have to be used. Disability was not systematically measured in the LFS before 2009.

Table 2.1 Hindrance in daily activities (20-64 age group), 2012

Hindrance	Flemish region	Brussels	Walloon Region	Belgium
<i>Yes, to a considerable extent</i>	7.1%	8.2%	11.2%	8.5%
<i>Yes, to some extent</i>	6.4%	5.8%	6.9%	6.5%
Total with hindrance	13.5%	14.0%	18.1%	15.0%
Without hinderance	86.5%	86.0%	81.9%	85.0%
Total	100%	100%	100%	100%
<i>No Answer</i>	0.4%	0.5%	0.8%	0.5%

Source FOD Economie – AD Statistiek en Economische Informatie – EAK/LFS 2012 Bewerking: Departement WSE, in Samoy, 2013b.

The most recent Belgian figures on disability (2012) show that 15% of the people in the 20-64 age group in the Labour Force Survey (LFS) experience hindrance in daily activities from a handicap, a longstanding disorder or illness (work or non-work related). There are regional differences: in Wallonia 18.1% experience hindrance compared to 14.0% in Brussels and 13.5% in Flanders (Samoy, 2013b). For Belgium as a whole the employment rate in 2012 amongst people (20-64 years old) experiencing hindrance was 36.2% versus 72.8% for people without (FOD Economie – AD Statistiek en Economische Informatie – LFS 2012 Bewerking: Department WSE). The gap is 36.6 percentage points (ppts). According to a Flemish government expert on the disabled we interviewed, *making statements on the differences between regions should be done with precaution because missing data on disability are an important problem especially in the Brussels capital region*.

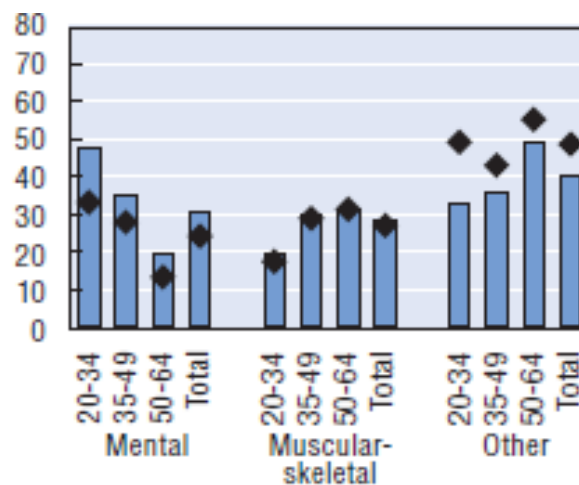
However, in recent times, an increase in the number of people with a disability can be observed. According to RIZIV data (National Institute for Health and Disability insurance) it concerned 4.3% of the population (15-64) in 2013 vis-a vis 2.9% in 2000.

People with disability have significantly lower levels of **education** than people without. Experiencing discomfort is also related to the **professional group** one belongs to: unskilled blue

and white collar workers are by far the groups who are the most affected (Samoy, 2013b). Disability prevalence increases sharply with **age**, which is critical in view of population ageing (OECD, 2010).

The expert further mentioned that *reliable statistics on the heterogeneity within the group of disabled are hard to come by because subgroups overlap, which makes comparisons between them unreliable*. We do know that there are important differences between mental and physical disabilities. The type of disabilities have evolved over time: between 1995 and 2008 the share of disabled with mental health problems increased, the disabled with muscular skeletal problems remained approximately the same and the category of ‘other’ decreased (OECD, 2010, p. 62). Employment rates of people with mental health conditions are lower than those of people with muscular-skeletal conditions (OECD, 2010, p. 53).

Figure 2.3 New disability benefit claims by health condition as a percentage of all claims, by age group, 1995 (black diamonds) and 2008 (bars) in Belgium



Source Data supplied by national authorities in OECD, 2010, p. 62

2.2.2 Why are they vulnerable?

- A first reason for the vulnerability of disabled people on the labour market is **productivity loss** due to a disability. These vary according to the type and the degree of disability.
- Furthermore there are **institutional reasons**:
 - o Firstly, employment policies for the disabled are a **mix of** policy measures belonging to the **competency** of the federal state (e.g. anti-discrimination law, quotas for federal civil servants, disability benefits), the regions (e.g. special placement agencies, wage subsidies) or the communities (e.g. vocational training, sheltered work) (Department WSE, 2013). This complex and fragmented institutional setup can complicate taking effective measures.
 - o Secondly, both Flanders and the Federal government grant **wage subsidies** for a wide variety of ‘competing’ categories of disadvantaged workers, possibly overlapping with the category of disabled people. This leads to a **complex tangle of allowed or prohibited combinations** which is not always resolved in present regulations (Samoy & Waterplas, 2012). The complexity can reduce the incentives for employers for hiring disabled workers.

- In addition there is a **panacea of benefit schemes** for the disabled. The schemes make them subject to other rules and measures⁵ and contain ‘activation’ elements (benefits may for instance be extended to people undergoing vocational training or combined with income from work) **which are not all equally activating**. Insured employees on a private sector contract becoming incapacitated for work, may claim a sickness benefit for a period of up to one year. Thereafter they may go on invalidity benefit. The eligibility criteria include a loss of earnings capacity of 66% over a period of at least 12 months and a minimum contribution of 120 days of actual work (Jousten et al., 2010). Incentives to return to work are limited as recipients are initially classified as fully disabled and thus without work capacity. Subsequently, recipients may return to (part-time) work if their work capacity is reduced by at least 50%, but benefits are reduced in line with rising wage income, entailing a high effective marginal tax rate (Hoj, 2013, p. 30). Persons that are not covered by this scheme are entitled to a disability allowance for which a medical assessment determines eligibility. There are special schemes for people who become incapacitated due to an occupational accident or disease. They receive compensation for the damage but, contrary to the recipients of the benefits mentioned earlier, they are not obliged to stop working. Incapacitated public sector employees from all levels and from the education sector are entitled to retire and receive an early pension. A small number of people is on unemployment benefits, typically people with a mental health disorder (OECD, 2013d) and some recipients of the residual welfare benefit (‘living wages’) are partially incapacitated for work. The interviewed government expert pleads for a better combination of benefits and (income from) employment, now only some benefit-systems are appropriate to combine part-time work with a benefit.

It is important to take notice that the Belgian long term unemployed contain a residual group of persons who in other countries would fall under disability insurance schemes. For Flanders it has been empirically determined that this group is ‘**hard-to-employ or not (yet) placeable**’ because they have not been active for a considerable time and because they face several disparate obstacles to finding work (work-related and other obstacles, like psychosocial or medical problems) (Struyven, Heylen & Van Hemel, 2010). This research indicated that for 11.8% of all job-seekers, the problems are such that a return to work, even in the social economy, is not feasible within a reasonable time-period. In the past this led to calls to exempt those who were hard to place from any activation requirement, as these factors were believed no longer to be susceptible to influence once a person had been unemployed for a long time (cf. Bollens & Heylen, 2010). The fact that there is limited or no policy in place for this group, may explain their vulnerable labour market position further.

- As regards employment and job retention for disabled people, Belgium (and especially Flanders) always had a preference for **voluntary measures** (such as wage subsidies) over statutory obligations (Binamé, 2004; Samoy & Waterplas, 2012). Only the federal administration has to meet a quota of 3% disabled people among the workforce and is obliged to provide reasonable accommodation for recruitment and the workplace. Overall compliance is low (Samoy, 2013). ALMP’s for the disabled are operated by dedicated institutions in Wallonia and Brussels. In Flanders these were mainstreamed in 2006 in the Flemish PES that administers and finances the interventions, but service delivery is mainly in the hands of private non-profit organisations, such as special job placement services and

⁵ In explaining these schemes we draw heavily on the documents provided by the Flemish Department of Work and Social Economy (Samoy, 2013).

special training centres. All the Belgian regions grant wage subsidies and workplace adaptations grants (Samoy & Waterplas, 2012).

- A further issue according to the interviewed disability expert is that *our system is based on a **deficit approach** while we should go towards a capabilities approach. Employers can put the talents of the disabled to their benefit, e.g. people with autism or blind people who can feel imperfections in the coating of cars that even a computer can't detect.*
- A last issue brought to the fore by this expert is that the *transitions from the social economy (which employs many disabled) to the regular economy is hard for people with a disability because the **period of personal (on the job) coaching is not always long enough.***

2.3 Migrants

2.3.1 Who are they?

Between 1990 and 2011 between 50% and 60% of immigrants were other **EU-nationals** (Vause, 2013). The other EU nationals are mainly immigrants from the neighboring countries; in 2011 10.6% and 7.4% of immigrants had the French and Dutch nationality respectively (Vause, 2013). The **non-EU nationals** are a very diverse group but they are mainly immigrants from Morocco and Turkey (OECD, 2008). The population of Belgian and EU-14 origin is older than the population of other origin (FOD WASO & CGKR, 2013). Immigrants have relatively lower **educational attainment** than natives; about half of them are low-skilled, compared with less than one-third of natives (Hoj, 2013). There are differences between groups: there are relatively more low educated amongst non EU-nationals than amongst EU nationals, note that problems with diploma recognition might be an explanation for this difference (FOD WASO & CGKR, 2013).

It is important when looking at (LFS) statistics based on nationality, to take into account that people with a non-Belgian nationality represent a narrower group of immigrants than in other countries (Hoj, 2013). Firstly, Belgium had a quite liberal naturalization policy in the period 2000-2013 because naturalization was seen by the authorities as a factor contributing to integration. In 2013 the policy changed and it became more difficult to obtain the Belgian nationality. Secondly, one has to take into account the type of migration to Belgium: since the restriction of economic migration in the 1970s, migration was mainly family reunification often implying new arrivals with a further distance to the labour market (Hoj, 2013).

In 2013 a report was published that for the first time coupled employment data with data on origin and migration background (for the year 2008), giving insight to the labour market situation of 2nd and 3rd generation migrants respectively (FOD WASO & CGKR, 2013). These data can give us a deeper insight than looking purely at nationality. In 2008 60.2% of the Belgian population between 18 and 60 years old was of Belgian origin, which means that they were born as a Belgian and both their parents were born as a Belgian as well (FOD WASO & CGKR, 2013). There are important regional differences: in Brussels 25.5% of the population between 18 and 60 years old is of Belgian origin, in the Walloon region this is 56.9%, and in the Flemish region this is 68.3% (FOD WASO &

CGKR, 2013, p.27). This can be explained by the fact that Brussels is one of the main gateways for immigrants (CGKR, 2012). In all three regions the majority is of EU-14 and Maghreb⁶ origin.

All the interviewees stressed that there is no such thing as ‘the’ migrants e.g. high educated migrants are a very specific group and there are large differences between EU and non-EU nationals. But even inside these groups there are large differences, especially according to sex.

2.3.2 Why are they vulnerable?

- First off immigrants might have a **lack of language proficiency**. This counts less for the other EU-nationals because a large part of them have the French and Dutch nationality (Vause, 2013) and they thus have a language advantage. Our interviewees at the Centre for Equal Opportunities and Opposition to Racism (CGKR) mentioned that the **language requirements** are very strict in Brussels. Indeed the knowledge of several (official) languages is more important to secure a job in Brussels and the German speaking community than in other regions (CGKR, 2012; HRW, 2013, p12).
- Several of our interviewees mentioned the **educational system** as a problem: differences in educational outcomes between the second generation and natives are higher than in other countries (OECD, 2008). The OECD diagnoses the overcoming of the disadvantage of family background and any additional disadvantage associated with immigrant background (e.g. language problems) as an important challenge, particularly in Flanders. For immigrants the **recognition of diplomas**, even leads to a dequalification phenomenon (CGKR, 2012).
- Because immigrants are overrepresented among those with a low education, the **high labour cost** in Belgium which adversely affects employment prospects for this group (especially because of the interaction with the EPL) will have a stronger effect in the aggregate on immigrants (OECD, 2008).
- The OECD (2008) is concerned with the low labour market attachment of immigrant women and links this to **unemployment/ inactivity traps**. Disincentives in the tax and benefit system result in high net replacement rates for couples with second earners and low income. Foreign-born women tend to have relatively low expected wages and are thus affected by these traps.
- A reason mentioned by all the interviewees is **discrimination**. Because the labour market position of immigrants is so much worse than in other countries, the question arises if there is more discrimination in Belgium. There are no indications for Belgian employers to refuse foreign born employees more because of racist reasons (FOD WASO, CGKR, 2013). But if discrimination is seen as the result of a recruiting and selection process where immigrants, disabled or younger and older workers get less opportunities there are indications that Belgian employers discriminate more (Ibid). The EC's Eurobarometer survey of discrimination conducted in 2012 reveals that, in Belgium, if a firm wants to recruit someone and has a choice between two candidates with the same skills and qualifications, the main criterion against a candidate, according to the responses (N = 1059

⁶ Algeria, Libya, Morocco, Tunisia en Mauritania

in Belgium), is skin colour or ethnic origin: this factor is cited by 60 % of respondents, compared to an average of 39 % in the EU. (De Keyser, Delhez & Zimmer, 2012, p.38).

- **Less developed personal networks** and **information asymmetries** are alternative explanations (OECD, 2008). Our interviewee at the labour union observes that *the way in which the government tries to tackle discrimination, by means of raising awareness and the promotion of diversity management in companies, is not enforceable enough*. He concludes that *this observation counts for measures to promote employment of vulnerable groups in general. Often we use the stick for the unemployed, while we the carrot is for the others (often the employers)*.
- A **lack of targeted and coordinated policy** is put forward by several interviewees. Hoj (2013, p. 23) states that the successful integration of migrants is complicated by immigration policy being a federal responsibility, labour market integration a regional responsibility, and integration and education policies community responsibilities. Some interviewees mention that labour market policy directed at migrants would be less favourable electoral but that migrants are reached by policies concerning the low educated. The Council of the EU recommends an encompassing strategy specifically aimed at immigrants even though the measures aimed at low-skilled youth are likely to also benefit them (Council of the EU, 2013). Our interviewees at the Centre for Equal Opportunities and Opposition to Racism (CGKR) point out that *it could be stigmatizing to focus on migrants in labour market policy. They think policy should focus on discrimination and they nuance the lack of policy by pointing out that the PESs do have special guidance programmes for migrants. They further point out that in Flanders and Brussels there has been a diversity policy for a long time, while Wallonia has paid little attention to diversity*. These kind of policies focus on pro-active measures to overcome discrimination, augment employers' training offers to disadvantaged groups and to diversify recruitment channels (OECD, 2008). The interviewees continue that *it is not known whether this diversity policy works. For certain companies, having a diversity plan might be windowdressing and it is possible that the companies that should be reached by this kind of policy, are not*.

2.4 Youth

2.4.1 Who are they?

As education is compulsory until the age of 18 in Belgium, the INSPIRES definition of youth as the 15-24 year olds can result in a biased view on the labour market position of Belgian youth. All of the interviewees agree that there is no such thing as 'the' youth and that low qualified youth are the most vulnerable. A large part of the Belgian youth starts higher education. In 2012, 43.9% of the 30-34 year olds enjoyed higher education (LFS data). In this same year 25.3% of Belgian youth, 18-24 year olds, left school unqualified (LFS data). For this indicator there are notable regional differences: in Flanders it amounts to 28.1%, while in Wallonia and Brussels the rates are 22.9% and 17.5% respectively. 12.3% of young people (15-24) declared in the 2012 LFS that they are neither employed nor in education and training (NEET). There are however large regional differences: In Flanders 9.2% of youth is NEET, in the Walloon region 15.4% and in Brussels capital region 19.2%.

2.4.2 Why are they vulnerable?

- The extent to which young people are vulnerable, is under discussion. In European perspective Belgian youth does not hold such a bad labour market position but with regard to the unemployment rate this can partially be explained by the fact that education is compulsory until the age of 18 (Plasman, 2010).
- **Wage costs** were mentioned by several interviewees, especially for low educated youth. According to Cockx (2013, who cites Cahuc et al., 2013, p. 9) the cost of employing a twenty year old was in Belgium in 2010 among the highest in the OECD countries that have a minimum wage. The abolition by 2015 of the phase-in for minimum wage by age (currently the reduced rate is 70% for those aged less than 17, gradually increasing to 100% at age 21) is therefore worrying. Cockx further argues that the high minimum wage affects mainly the employment of lower educated youth, while the **strict EPL** mainly affects the employment of higher educated youth. He observes that the strict EPL for white collar workers decreases the speed of the school-to-work transition mainly for high-skilled youth (to the extent that white collar workers are more educated than blue collar workers). But this observation may not hold anymore in the future because the level of strictness will converge between white and blue collar workers.
- An interviewed labour market researcher indicated the **LIFO-principle** (last in, first out) as one of the explanations for the vulnerability of young people on the labour market. In conjunction with this, the National Bank of Belgium (2011, p.59 and 2012, p. 142) mentions that their links with employers are more tenuous than those of more experienced workers who have been able to build up specific human capital, and for whom the cost of redundancy (depending on seniority) is higher if they have a permanent contract.
- Several interviewees mentioned that young people tend to work more in temporary and tempagency jobs. The EC (2012, p. 60) links these **non-standard jobs** (part-time, temporary or casual and self-employed) to risks like low pay, job volatility, (repeated) unemployment and reduced chances to get further education or training. According to an expert of an NGO defending the rights of children and youth (further referred to as youth expert) we must link this to the transition from Fordist employment to post-Fordist employment and we must pay more attention to low-skilled young people. With the necessary nuances according to study field, high educated young people move relatively faster into the primary labour market. The experts of the Federal Public Service Employment Labour and Social Dialogue (FOD WASO) add to this that *the Belgian problem of job-job mobility is not of such major concern for young people but this mobility mainly takes place in the secondary labour market, in sectors like the catering industry, trade or tempagency work. It is hard for young people to move up to other more productive sectors, especially the sectors that we consider as the locomotive of our economy like the chemical sector.*
- As the **low educated** youth are regarded the most vulnerable, all the interviewees stress that it is very important to reduce **early school leaving**. In addition, the **mismatch between education and the labour market** is often mentioned. The OECD (2007) confirms that the transition from school to work can be quite abrupt in Belgium and that coordinating policies to secure a smoother transition is difficult because of the division of competences between the Federal, regional and community level. Cockx (2013) mentions the strict separation between school and work, the vertically segmented schooling system with high retention rates and too early tracking as causal factors for the high

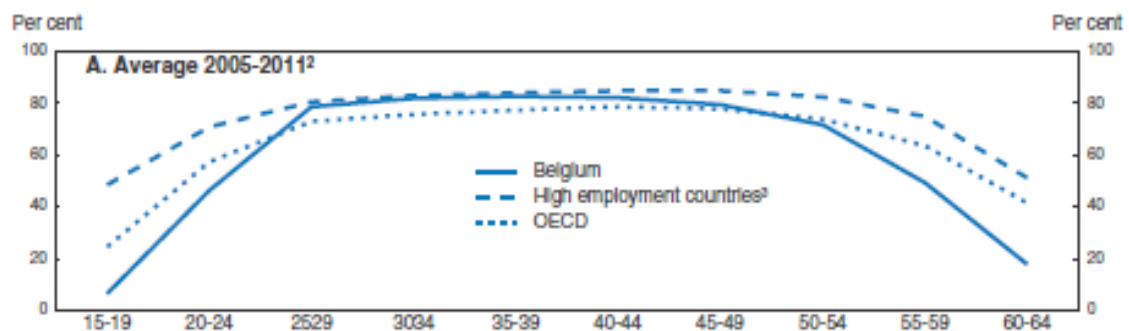
unemployment rates among young people. According to the youth expert, *the Belgian and Flemish education scores particularly well in terms of science and mathematics. But besides that, education should focus as well on preparing youth for participation in society, and thus on participation on the labour market. A large part of schoolgoing youth does not know about wage structure, are alien to entrepreneurial logic, how social dialogue takes place, etc. They do not know what their rights and duties are, what kind of skills are required on the labour market, what their own capabilities and limitations are, etc. Many young people leave school without any qualification. But also, many young people – both with and without qualification - leave secondary education with “injuries”. These “injuries” have a negative effect on trust related matters such as confidence in the environment, institutions, teachers, themselves. Negative experiences can easily accumulate and reproduce themselves in any further contact with institutions, such as PES guidance, employers, etc. The PES, for example, is often still perceived as a punitive and controlling institution.*

2.5 Older workers

2.5.1 Who are they?

The INSPIRES definition for older workers starts at 55, but for Belgium it can be relevant to take into account the 50-55 year olds as well, as the figure below illustrates. Furthermore, there is no uniformity in the age threshold for ‘older workers’ in federal and regional legislation and subsidies e.g. some federal subsidies are targeted at the 45+ while Flanders has a subsidy that targets the 50+ (Gerard et al.,2013).

Figure 2.4 Belgian employment rates (as a percentage of the population) are age dependent

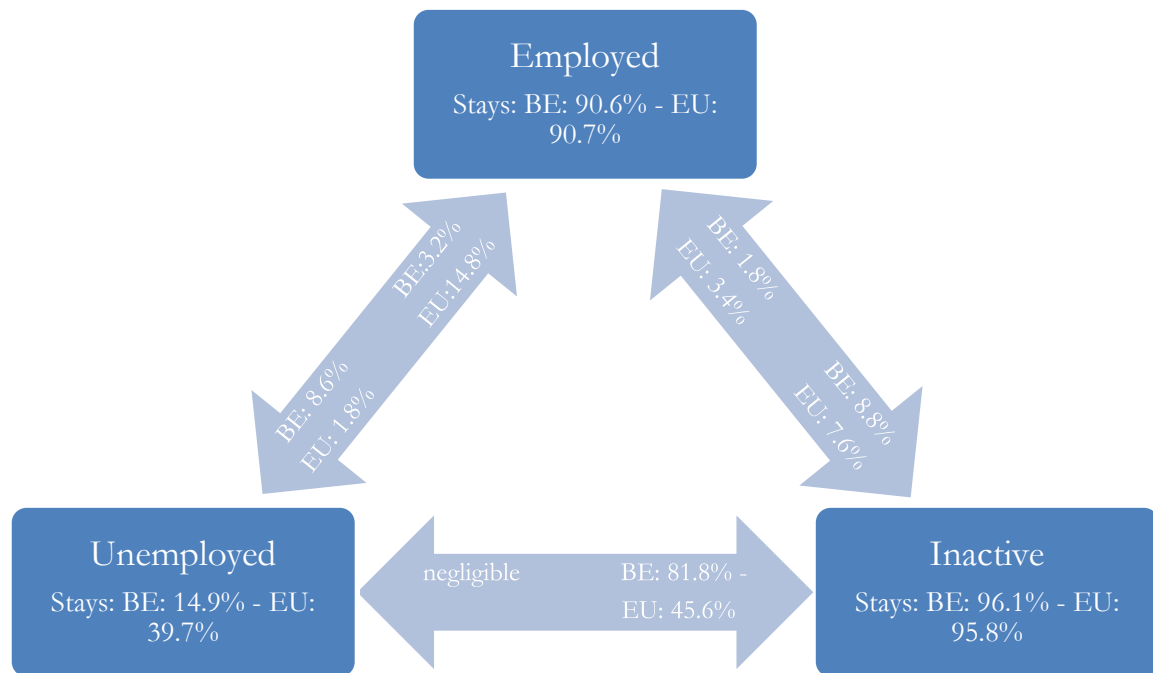


² A ranking was used to identify groups of OECD countries according to employment rates by age bracket
Source OECD, 2013a, p. 26

There is a lot of **heterogeneity** within the group of older workers according to a Flemish government expert on this group. According to her, *characteristics of importance are the state of health and the type of labour (e.g. heavy physical work). The educational level is of less importance than the experience level and competencies. The interviewed labour market researcher remarks that education is often associated with regards to the age at which older workers leave the labour market. Higher educated workers stay active longer than the low educated. A possible explanation put forward by the interviewee is that the low educated do more physical work, and that there is less investment in LLL for/by them.*

The Flemish government expert tells us that *what characterizes this group is the low in- and outflow in unemployment. The lack of dynamism on the inflow side is due to a risk of dismissal: older workers have relatively stable jobs and they are targeted less than temporary workers, of which the majority are young people. But as soon as they (the older workers) become unemployed, their labour market situation is less favorable and finding a new job is difficult. Consequently, the long-term unemployment is high among elderly aged 50+. “Once unemployed or inactive over 55 years, always unemployed or inactive” seems to be the adage for the Belgian labour market, according to one of the interviewees of the Federal Public Service Employment Labour Social Dialogue (Van Thuyne, 2013). This figure below illustrates this with figures for the 55-64 year olds on the Belgian labour market between 2010 and 2011.*

Figure 2.5 Labour market mobility of older workers



Source Van Thuyne, 2013

2.5.2 Why are they vulnerable?

- All interviewees mentioned **wage costs** as an important reason for the vulnerability of older workers. As a result of the existing wage structure, based on seniority (formerly age), the wage rate of older workers is generally higher than that of younger colleagues. But the link between wages and age is primarily a phenomenon of white collar workers; for blue collar workers this link is relatively limited over the whole career (Van Thuyne, 2013).

Increasing wages according to the seniority principle would not prove to be problematic as long as they coincide with a parallel increase in the (perceived) productivity. But that perception is exactly where the problem often lies. As mentioned on the blog of the FOD WASO (Van Thuyne, 2013), certain **prejudices** of employers towards older workers e.g.

on productivity, flexibility, ICT skills, absences due to illness, etc. may be the reason for the lack of employment opportunities for unemployed and inactive elderly. According to our interviewees at the Centre for Equal Opportunities and Opposition to Racism (GKR) *age is more important as a base for **discrimination** than origin; discrimination even starts from the age of 45* (see Capéau, Eeman, Groenez & Lamberts, 2012).

- **A lack of investment in LLL** (by employers and employees) is another reason that has been put forward during the interviews. The EC (2012, p. 65) confirms that older workers participate less in training than younger workers and generous early retirement schemes discourage older workers from taking part in training, whereas flexible early retirement schemes encourage such training. The interviewees of the FOD WASO associate this with the limited job-job mobility on the labour market.
- The activity rate is rather low because of a **culture of early retirement** according to several of our interviewees. According to the interviewed labour market researcher *this culture was created during the crisis years in the 1980's when older workers were stimulated to make room for younger people on the labour market. They were exempted from jobsearch obligations, pré-pension possibilities were created, etc. This led to an expectation pattern among older workers of leaving the labour market early. In recent years the culture is changing step by step (e.g. the intergenerational solidarity pact of 2005) and measures were taken to keep older workers longer on the labour market (e.g. timecredit). But "seniority thinking" and well-meant measures like the obligation for employers to contribute to financing outplacement guidance create new risks for employers to employ older workers.*
- On the blog of the FOD WASO (Van Thuyne, 2013), we found a few other reasons for the lack of employment opportunities for unemployed and inactive elderly:
 - Recruitment policies which are still too much based on **qualifications** rather than experience (in conjunction with a still incomplete system of formal recognition of acquired skills).
 - The lack of willingness of employers to **adapt work organisations** to the age-related evolvement of capabilities of employees.
 - The **lack of support from the PES** in their search for work (which is gradually changing, especially in Flanders, where from 2009 onwards a specific job guidance approach for jobseekers 50+ is in place).

2.6 The low qualified

2.6.1 Who are they?

In 2011, 31.9% of the population, 15-64 years of age, had a diploma of lower secondary education at the most, versus 29.8% in the EU (HRW, 2013, p. 104). The group of low educated is proportionally bigger in Brussels and Wallonia (roughly 36%) than in Flanders (29%) (Ibid). The low educated are a **heterogeneous group**. According to the High Council of Employment (HRW, 2013, p 13) this group comprises of more **women** than men and immigrants, especially the **non EU-nationals** are strongly represented. The **disabled** are not to be neglected: based on the 2002 ad hoc module of the EAK the HRW deciphered that 58% of the disabled (or people with a long standing illness) was low educated as opposed to 41% of the total population (HRW, 2013, p. 18).

Age is an important determinant according to the HRW (2013). Adults without qualifications make up the largest part of the low educated. But an analysis of the High Council of Employment shows that amongst cohorts of older workers a large part of the low educated work, in a middle or high qualified job. For older workers the educational level is less important because they acquired certain competences and experience during their career. For young people the large part that is still studying has to be taken into account (ibid).

2.6.2 Why are they vulnerable?

- The vulnerability of lower educated can be explained by **low demand for these type of workers** and **geographical mismatches** (e.g. in Brussels most of the unemployed are low educated while most of the jobs require higher educated profiles) combined with **low geographical mobility** or commuting (see Zimmer, 2012). In 2012 80% of the jobs that were filled in, required middle and higher educated workers while 80% of the labour reserve consists of middle and lower educated persons (Zimmer, 2012). This makes the employment of lower educated more sensitive to the business cycle. They are the first to feel the impact of fluctuations and are more severely affected because they are **easier to replace** than higher educated personnel with specific knowledge and skills (NBB, 2010, p.54).
- According to the labour market researcher *the proportion of the 'low educated' decreased since the 1980's but they became more vulnerable. The **number of jobs for low educated went down** because of (among others) delocalization, import from low wage countries and skill biased technological change which leads to job polarization. This is why it is so important to decrease unqualified school leaving and work on the recognition of competencies, of course the latter is only remediating.* The National Bank (NBB, 2012, p. 133) explains this decline of industry by a more or less permanent process of restructuring and ever fiercer foreign competition. Between 2000 and 2012 hourly productivity in industry rose by 25 %, while employment declined by 17 %. Moreover, this decrease is attributable partly to developments such as outsourcing of non-core tasks and greater use of agency workers; these developments do not imply net job losses, but a reclassification in other branches of activity, particularly the business services sector (Ibid).
- According to some of our interviewees there is a **diploma culture** on the labour market. This makes unqualified school leavers especially vulnerable. Other interviewees nuance this by pointing out that the diploma is mainly of importance for government employment, but then again a diploma stays an important indication of skills and competences for every employer. All of the interviewees agree that unqualified school leaving should be fought and some put forward modularization of the schooling system with attestation for every module as part of the solution.
- It is important to notice that the **schooling system** is quite **deterministic**. This does not leave the labour market integration unaffected. According to the High Council of Employment (HRW) nearly two-thirds of the low educated young people have parents who have not completed secondary education, a fourth of them are medium educated parents, and only a minority has parents with a diploma of higher education (HRW, 2013, pp. 104-105).

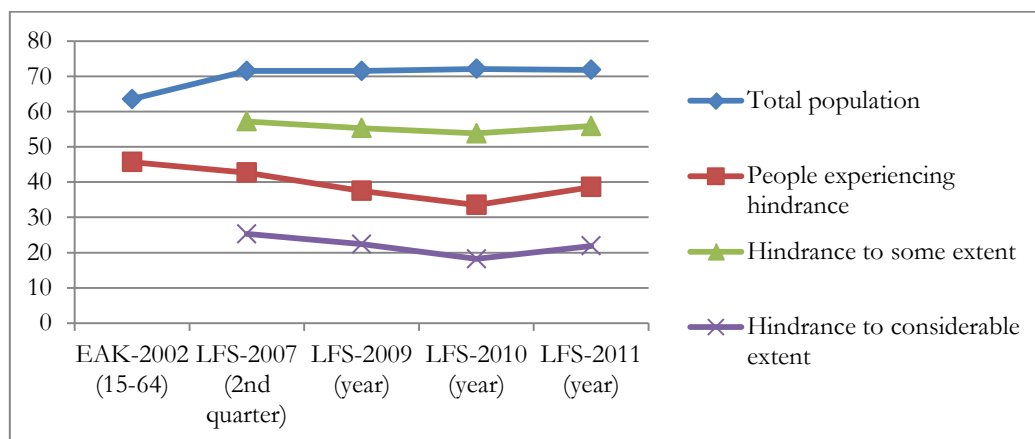
- According to the NBB experts **wage costs** are of great importance on the demand side because the low educated have little other comparative advantages. According to Cockx (2013) the low qualified are affected by the very high minimum wage level in Belgium since it raises the wage costs above the productivity, making it thereby unprofitable for employers to hire this group. When looking at the supply side our interviewees at the NBB state that the influence of social protection on the decision to be active on the labour market is an important factor for the position of the low educated on the Belgian labour market. In a report of the High Council for Employment (HRW, 2013, p .177) we found the revealing figure of a 90% **unemployment trap** in 2011 for a single low wage earner (67% of the average wage) without children.

3 | The pre-crisis labour market position of vulnerable groups (2000-2008)

3.1 The position of the disabled on the labour market

The most reliable trend statistics for disabled to look at are the employment rates in the Labour Force Survey (LFS), according to the interviewed Flemish government disability expert. He continues that *the regional PESs keep track of disability among job-seekers but that data are not always reliable and that there are large differences from survey data. In addition the disabled who are registered with the PES make up only a fraction of the disabled who are spread out among different benefit systems.* To look at evolutions we have to resort to partial data. Data on disability are available for the years 2002, 2007 (only Flanders and only the second quarter), and yearly as of 2009.

Figure 3.1 Employment rate of people experiencing hindrance (Flemish region, 20-64 year olds unless mentioned otherwise)



* LFS 2002: Do you have a disability or do you suffer from a long-standing health problem? Yes- No.
 LFS 2007-2009-2010-2011: Do you experience in your daily activities (at work or elsewhere) hindrances due to a disability, a long-term condition or illness (whether or not work-related)
 Yes, a lot. Yes, to some degree. No.

Source Samoy, 2013b

Due to differences in questioning between the 2002 and 2007 LFS, figures should be compared with some caution. Samoy (2013b, p.40) looks at the difference in the employment rate of disabled people (this is another statistic than shown in the figure above) and that of the general population. The gap in 2002 was 26.1 percentage points (65.8% vis a vis 39.7%) and 23.6% ppts in 2007 (65.8% vis a vis 42.2%). The employment rate of people with disabilities or long-term health problems increased. This partly follows the general increase in employment rate, but the figures show an additional increase of 2.5 ppts. In absolute numbers this translates to approximately 20 000 people with a disability or long-term health problems more at work in the period 2002-2007 (on average 4000 more per year).

By contrast, when looking at data for Belgium as a whole the relative employment rate (employment rate of people with a disability versus that of people without a disability) went down between 1995 (ECHP) and 2007 (EU-SILC) from roughly 0.6 to 0.5 (Høj, 2013).

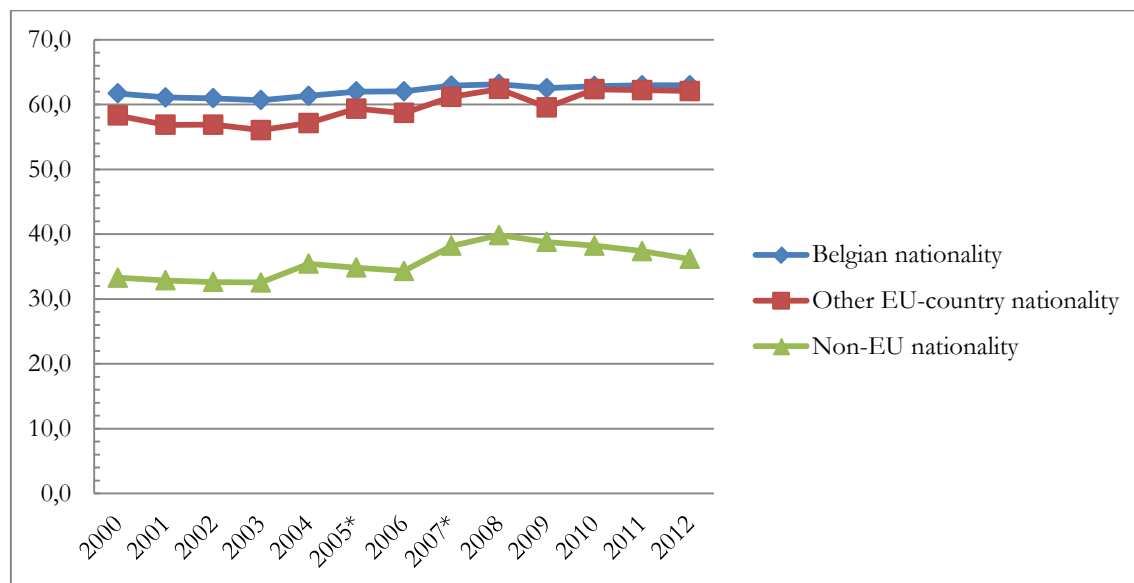
A 2003 **law** (revised in 2007) bans **discrimination** in hiring and in many other aspects of labour relations on the grounds of a disability or health. This includes failure to provide reasonable accommodation. This type of policy removes barriers for disabled people wanting to find work or to remain in work.

In 2006, Flanders **mainstreamed active labour market policies for the disabled into the regular public employment services** (Samoy & Waterplas, 2012). According to the government disability expert *the integration of the Flemish Fund (responsible for disability employment policy) in the Flemish PES meant an important boost for disability policies. This led to expanding the services of GTB, Special Pathways to work and Guidance Service, who are assisted by the GA, assessment centres, and ensured that the attention for disabled within the PES trickled down to consultants and up to the management. This resulted in more people put into action for specialized employment guidance within the Flemish PES. In Wallonia and Brussels disability policies are relatively less pursued.*

*Belgium is in OECD context amongst those countries with a slightly **increasing disability reciprocity** rate, from roughly 4.5% to 6% between 1990 and 2008 (OECD, 2010b). The number of people on invalidity benefit has been rising steadily over the years, albeit not as fast as in the Netherlands and the UK (Velche, 2006) and stood at 265 000 at the end of 2009; expenditures reached nearly 3000 million euros, or about 11 000 euros per head. Not until the quickening pace caused alarm in recent years (+12% in two and a half years in Flanders), ‘activation’ of recipients never was an issue (Samoy & Waterplas, 2012).*

3.2 The position of migrants on the labour market

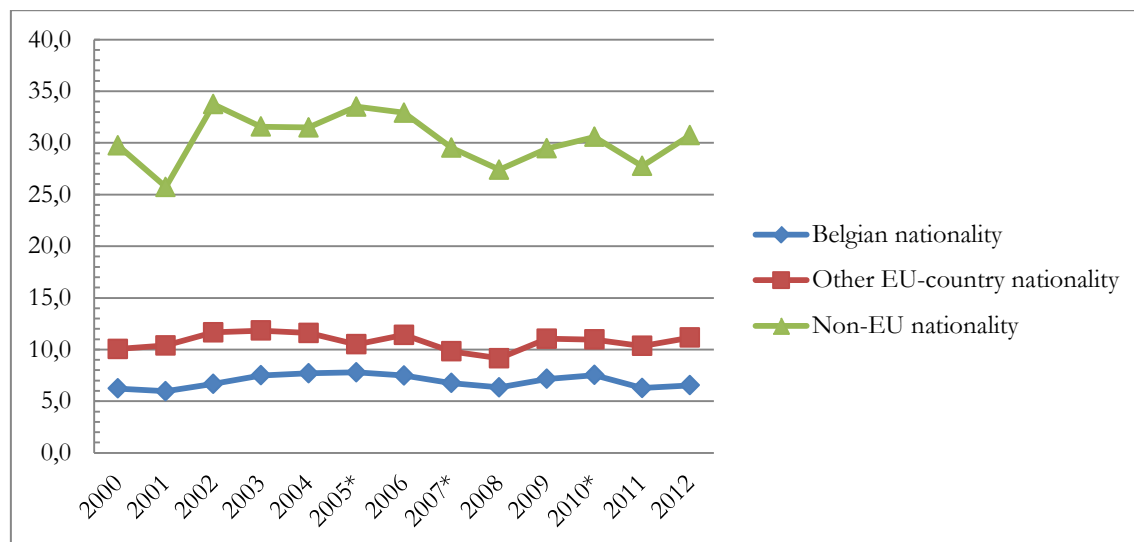
Figure 3.2 Employment rate by nationality (15-64 year olds)



* Until 2004 EU-15, as of 2005 EU-25, as of 2007 EU-27

Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Figure 3.3 Unemployment rate by nationality (15-64 year olds)



* Until 2004 EU-15, as of 2005 EU-25, as of 2007 EU-27, in 2011 the phrasing of the questions in the LFS changed

Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Between 2000 and 2008 other EU-country nationals and especially non-EU nationals were catching up with Belgian nationals with respect to the employment rate. The employment rate of the non-EU nationals went up from 33.29% to 39.85% and the gap with Belgians decreased from 28.42

ppts to 23.27 ppts. For other EU-country nationals the gap decreased from 3.41 ppts in 2000 to 0.72 ppts in 2008 (own computations, based on data in appendix).

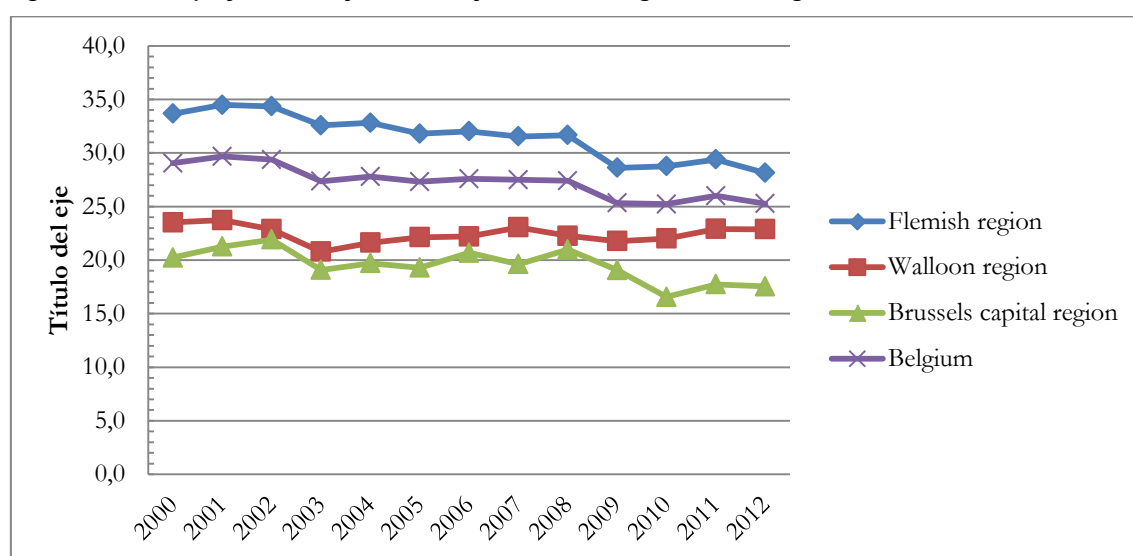
The unemployment rate for other EU-nationals roughly follows the rate of Belgian nationals on a slightly higher level, while the rate for non-EU national is much higher and shows much larger fluctuations. As of 2005 the gap between the unemployment rates of immigrants and Belgians decreased, especially for non-EU immigrants. In 2000 the gap for other EU-country nationals was 3.82 ppts while it was 23.52 ppts for non-EU nationals, these decreased to 2.81 ppts and 21.06 ppts in 2008 respectively (own computations, based on data in appendix).

Belgium does not perform well in a European perspective regarding the labour market outcomes of immigrants from outside the EU (Hoj, 2013). Differences in employment rates between second generation migrants and natives are also higher than in other OECD countries (OECD, 2008).

Research (a.o. OECD, 2008 and FOD WASO & CGKR, 2013) shows that having the Belgian nationality has a positive impact on labour market results (higher wages, type of employment, employment probability etc.). According to the OECD (2008) the positive impact of holding the Belgian nationality holds even after controlling for a large range of socio-economic characteristics, including age, country-of-origin, educational attainment, region and duration of residence. Controlling for positive self-selection is hard so the question remains what is cause and what is effect.

3.3 The position of youth on the labour market

Figure 3.4 Employment rate youth(15-24 years old) in Belgium and its regions (2000-2012) (%)

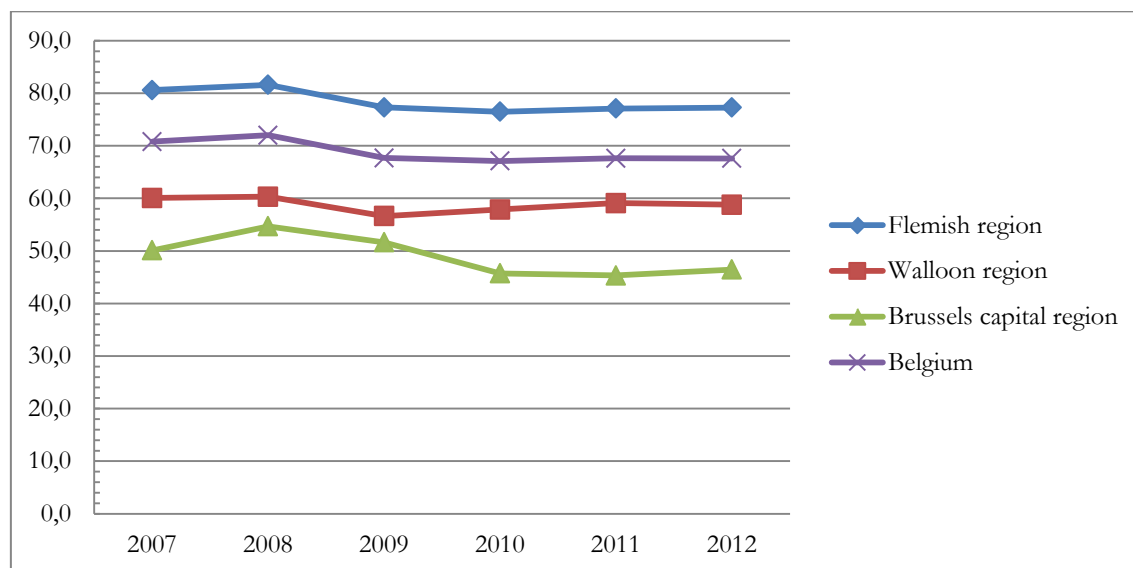


Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

The employment rate of young people aged between 15 and 24 years has fallen between 2000 and 2003, from 29.04% to 27.36% and remained stable until 2008 around 27%. The Flemish employment rate is higher than the Walloon and Brussels employment rate. The reason that

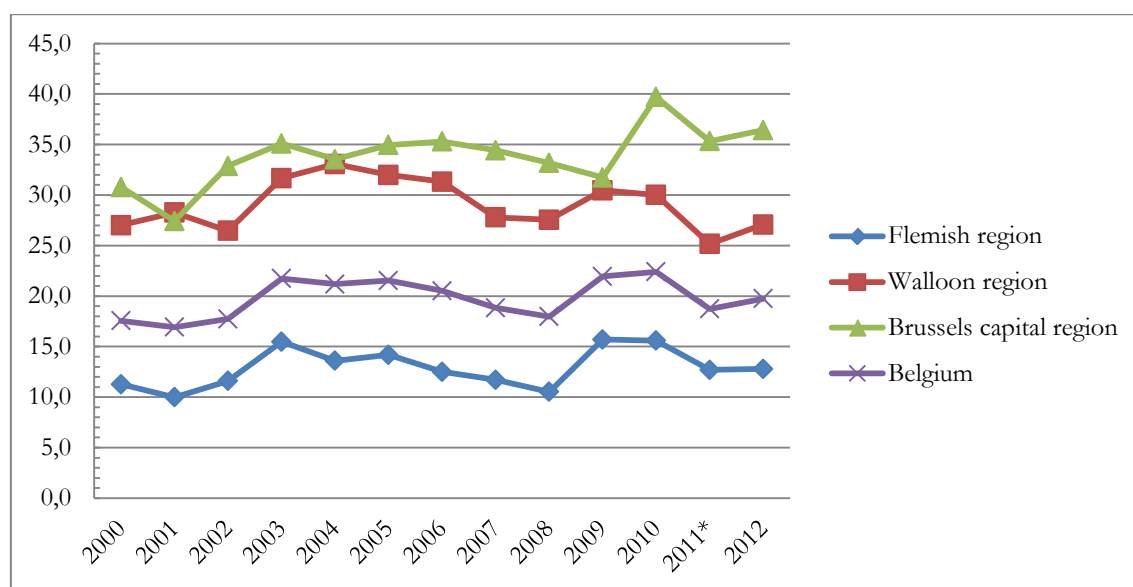
employment for this group is low is because at this age many young people are still studying (more than in other countries since there is compulsory schooling until the age of 18) and are therefore inactive on the labour market. When looking at the employment rate for the same age group, excluding students, we notice that in 2007 and 2008 it fluctuated around 70% (earlier data not available).

Figure 3.5 Employment rate youth excl. students (15-24 year olds) in Belgium and its regions (2007-2012) (%)



Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Figure 3.6 Unemployment rate youth (15-24 years old) in Belgium and its regions (2000-2012) (%)

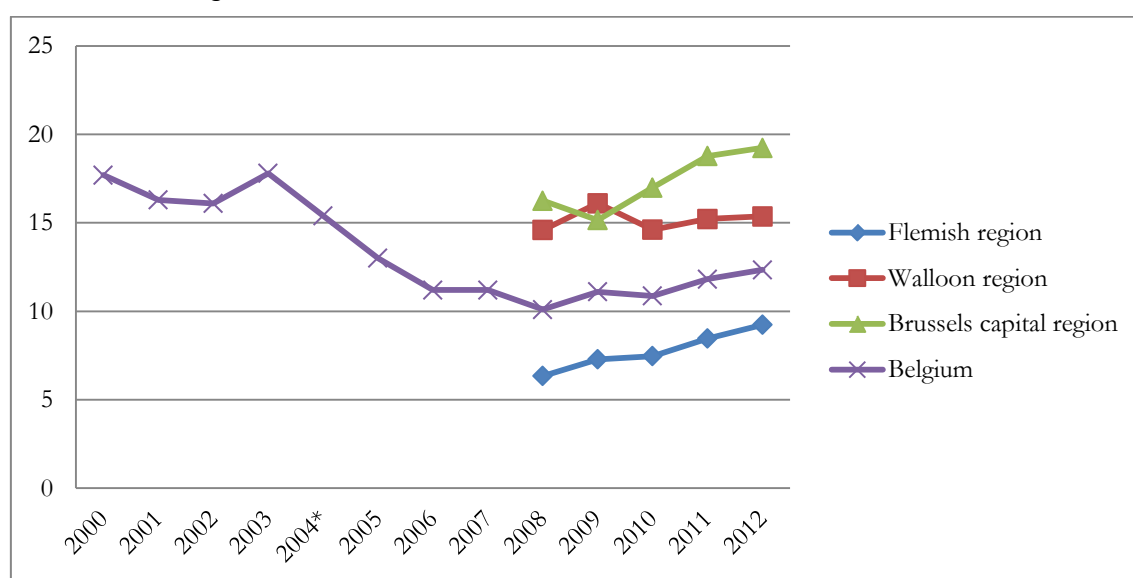


* In 2011 the phrasing of the questions in the LFS changed

Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Between 2000 and 2003 youth unemployment rate increased from 17.55% to 21.74%, to decrease again until 2008 to the level of 17.97%. Regarding unemployment, there are large regional differences. The statistics show that youth unemployment is more of a problem in Wallonia and Brussels, but not so much in Flanders. Looking at the ratio between the youth unemployment rate (under 25 years) and prime aged adult (25-54 years) unemployment rate, Cockx (2013) states that youth unemployment is an important problem in Flanders as well. The ratio based on the Eurostat 10 year's average (2003-2012) is 3.3 in Flanders, 3.1 in Wallonia and 2.2 in Brussels (Cockx, 2013, p. 3). Cockx points out that this high ratio is predominantly a problem of low educated youth since the high educated are often still studying at young age while the low educated already entered the labour market. The interviewees at the NBB note that *caution is required when comparing these ratios because the proportion of young people continuing studies at a higher level, and also the composition of the age group 25-54 years old, can vary across regions. Moreover it is risky too only look at unemployment figures as these do not take into account the inactive share of people in the population.*

Figure 3.7 NEET-youth rate** of 15-24 year olds Not in Employment, Education or Training, in Belgium and its regions (2000-2012) (%)



* Break in the data ** The share of youth in the age group of 15 to 24 year olds that is not in employment, education or training

Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

A group that is particularly worrisome is the group of youth that is not in education, employment or training (NEET). Between 2000 and 2008 the youth NEET-rate went down considerably from 17.70% to 10.10% (6.6 ppts). When looking at these statistics it is important to take notice of the fact that young people in Belgium have a particular incentive to sign on with the PES when leaving school because they are entitled to unemployment benefits after a certain period of time, regardless of the number of days they have worked.

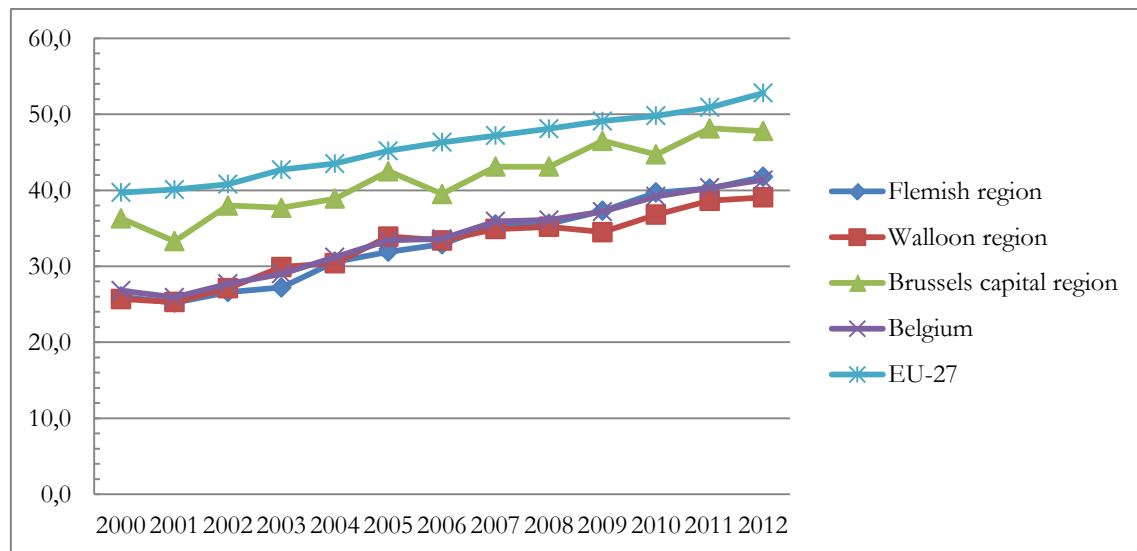
The OECD (2010c) observes that ALMPs in Belgium have gradually become more focused on young job-seekers. In 2004 the Federal State, the regions and communities signed a cooperation agreement that revised the unemployment insurance scheme. The National Employment Office (RVA) and regional PESs jointly monitor the job search efforts of benefit claimants. Young (under 30) jobseekers were the first to be activated under this agreement. According to Van Parys, Van

Dooren & Struyven (2013) this coercive activation policy went hand in hand with an enabling activation policy particularly in Flanders. At the end of 2007 the Flemish government and PES established the Youth Work Plan, a ‘comprehensive approach’ for young people that involved a ‘work first’ approach. Mid-2007, the Walloon PES also introduced a programme with intensive tailored guidance and counselling for young jobseekers during the first six months after leaving school: the Job Tonic programme (OECD, 2010b). The 2005 pact on solidarity between generations extended existing measures for young people, with greater emphasis on young people with very few skills, unskilled young people of foreign origin and unskilled young people with disabilities (OECD, 2007).

3.4 The position of elderly workers on the labour market

The Belgian activity rate of older workers is low and is more than 10% below the European average. However, one can observe an increasing trend in recent times: between 2000 and 2008, the activity rate rose from 26.80% to 36.10%.

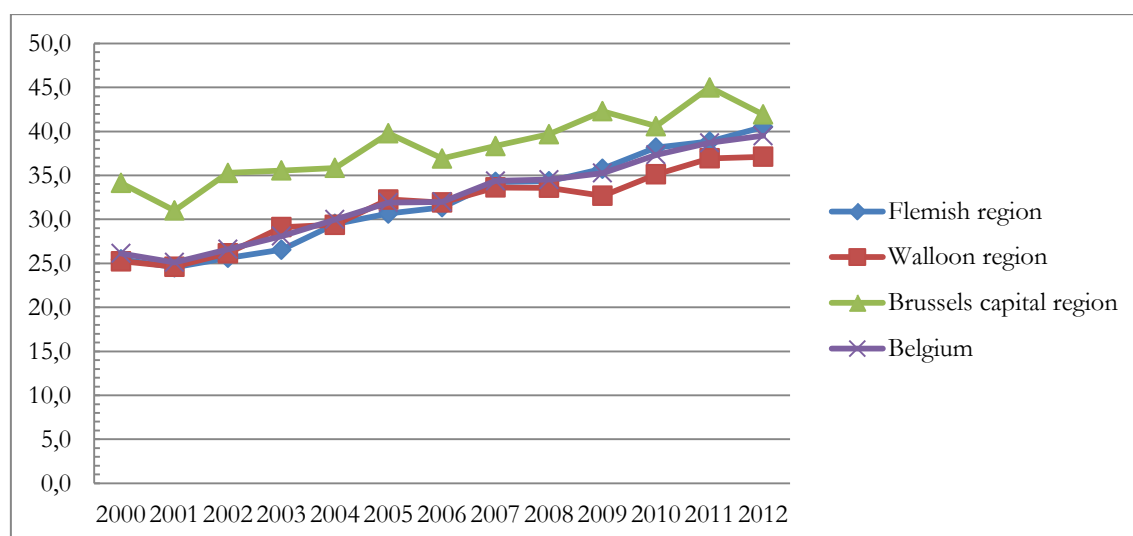
Figure 3.8 Activity rate of older workers in EU-27, Belgium and its regions (55-64 years old), 2000-2012



Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

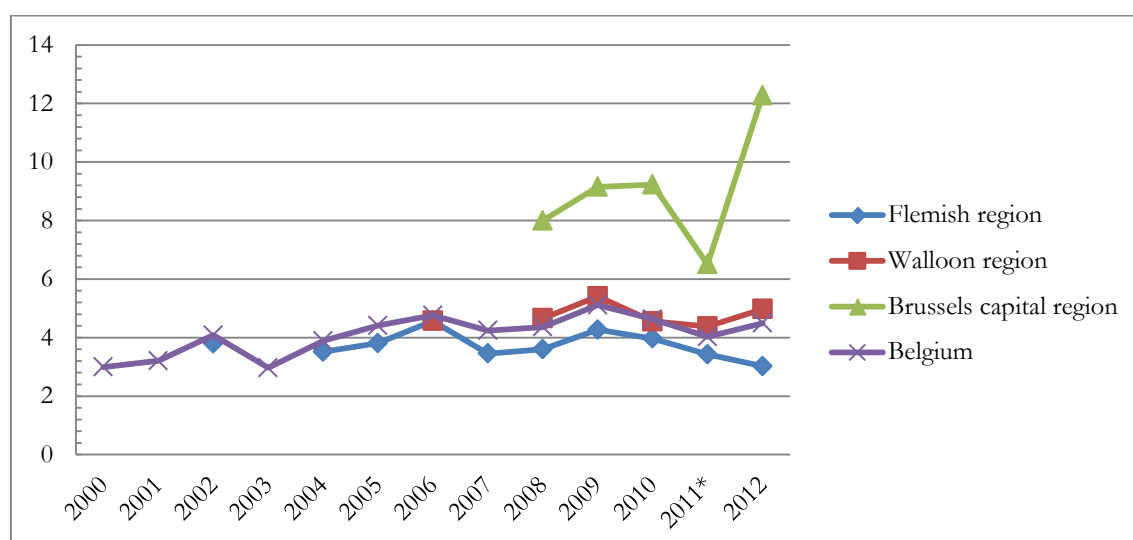
The employment rate went up from 26.13% in 2000 to 34.51% in 2008 (8.39 ppts). There is an increasing trend of part-time work: in 2003, 9.07% of the older people (50-64 year olds) was working part-time, while this rose to 13.46% in 2008 (see appendix). According to the interviewees a large part of the increase in the employment rate can be ascribed to higher female participation. The National Bank identifies other fundamental trends that contributed to the rise in the employment rate: the improvement in the level of education and the tertiarisation of the economy (NBB, 2012, pp140-141). According to the High Council of Employment when looking at age and educational levels, we notice that the employment rate of elderly rose overall, regardless of their educational level, but the increase turns out to be higher as elderly are higher educated (HRW, 2013, p. 50). The unemployment rate of older people is low, but shows an increasing trend: it went from 3% in 2000 to 4.36% in 2008.

Figure 3.9 Employment rate of older workers (55-64 years old), Belgium and its regions 2000-2012



Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Figure 3.10 Unemployment rate of older workers (55-64 years old), Belgium and its regions 2000-2012



* In 2011 the phrasing of the questions in the LFS changed

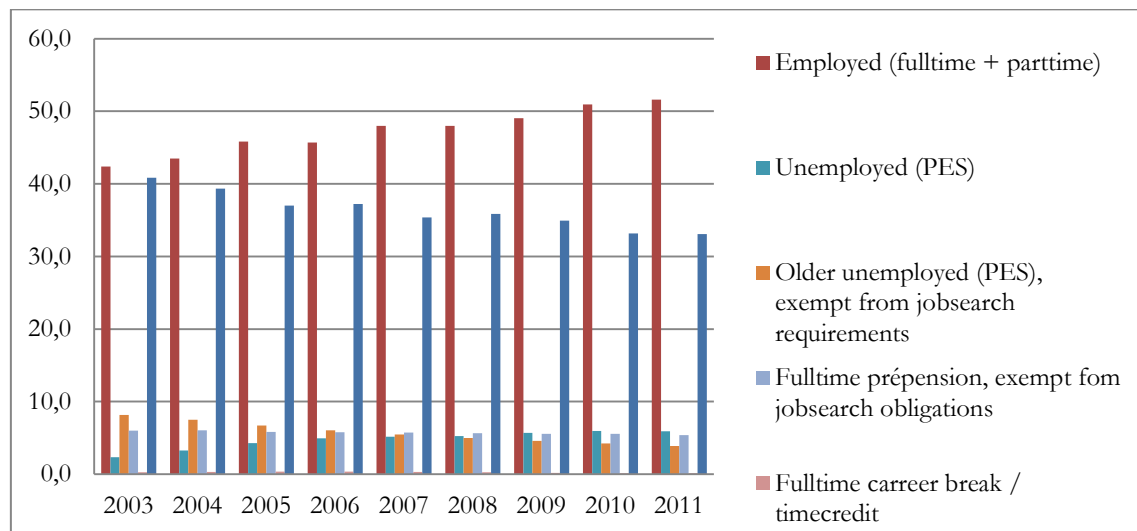
Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

With respect to the elderly, there are few distinct regional differences except for Brussels. Brussels is doing better than other regions in terms of activity rate and the employment rate. A plausible explanation is the type of employment in the region, including a large share of knowledge jobs where people typically remain active until a later age. With respect to unemployment figures, Brussels performs worse, but the figures require some caution, since they are only available from 2008 onwards. According to our interviewees at the National Bank of Belgium (NBB), *regional differences could be a consequence of the age until which job search efforts are followed-up and enforced, which differ between regions.*

According to our interviewees at the Federal Public Service Employment Labour Social Dialogue (FOD WASO), *Belgian measures in the 2000-2008 period, but also after the crisis, were mainly targeted at getting people to work longer. Examples are subsidies that encourage career breaks and the time credit system which are meant to make the combination between work and private life easier and for people to remain active up to an older age. There still is an important problem concerning the (re)hiring of older workers.* Van Thuyne (2013) specifies this problem on the blog of the FOD WASO⁷. Firstly, our wage scales are strongly based on seniority (formerly age) which makes older workers more expensive, especially white collar workers. Secondly, employers risk bearing the cost of early retirement for the recruited older unemployed. These factors imply that the benefits of recruiting an older worker are disproportionate to the costs.

The interviewed Flemish government expert on older workers confirms that *it is very difficult for older workers to get out of unemployment. According to her the explanation does not only lay in high wage costs for older workers (cf. age/seniority based wage system) but also in prejudices about older workers, and institutional factors. Belgium had a passive employment policy for a long time.*

Figure 3.11 Composition of the group of older workers (50-64 years old) by socioeconomic position (2003-2011, %)



Source VDAB, RVA, NBB, FOD Economie - Algemene Directie Statistiek en Economische Informatie - LFS (bewerking Departement WSE/Steunpunt WSE)

But policy is becoming more activating. The table above illustrates this with a decreasing share of older jobseekers (50-64 years old) registered with the PES that are exempt from job search obligations and fulltime pré-pension exempt from job search obligations.

In 2005 the Federal authorities enacted a pact on solidarity between generations. This ‘Generation Pact’ aims to tackle the division between generations which favours adult access to stable employment and imposes on younger and older people, who are taken care of by the community, the main burden of labour market flexibility (OECD, 2007). The pact contains end-of-career

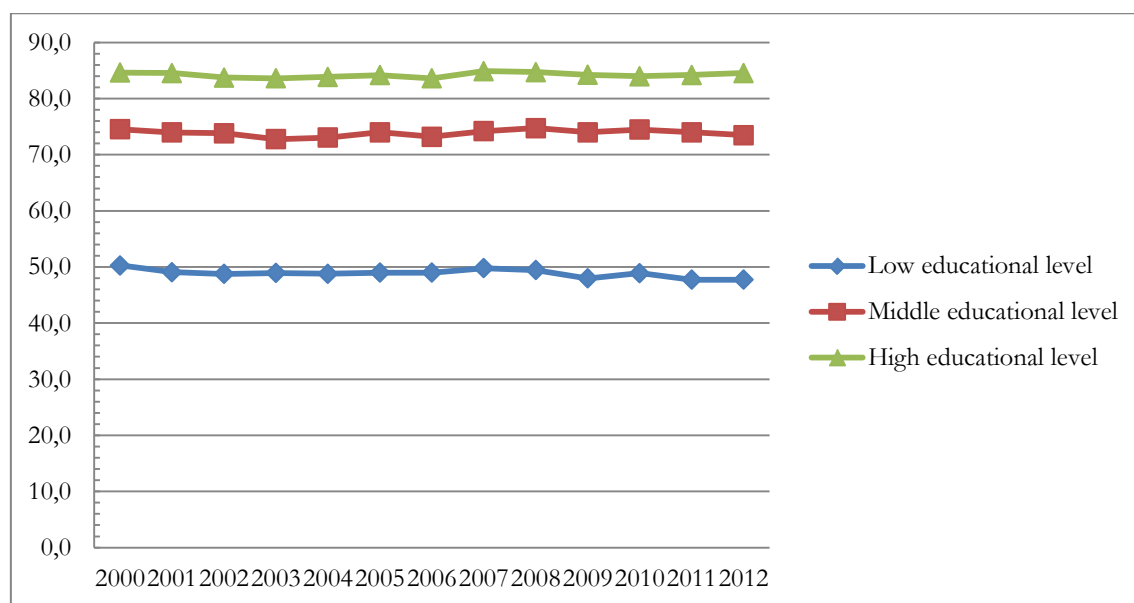
⁷ Blog April 12 2013 (<http://blog.werk.belgie.be/blog/arbeidsreglementering/hinderpalen-voor-de-aanwerving-van-oudere-werknemers>)

measures (e.g. access to pre-pensions was restricted for workers under the age of 60, and the minimum career length to gain access was raised to 35 years) and youth employment measures.

3.5 The position of low qualified on the labour market

The tables below clearly illustrate that the position of low educated on the Belgian labour market is more precarious than middle or high educated groups. The employment rate of the low educated hovered around 49% in the 2000-2008 period and the difference with the employment rate of other educational groups stayed quasi the same (roughly 24 ppts and 35 ppts compared to the middle and higher educated respectively).

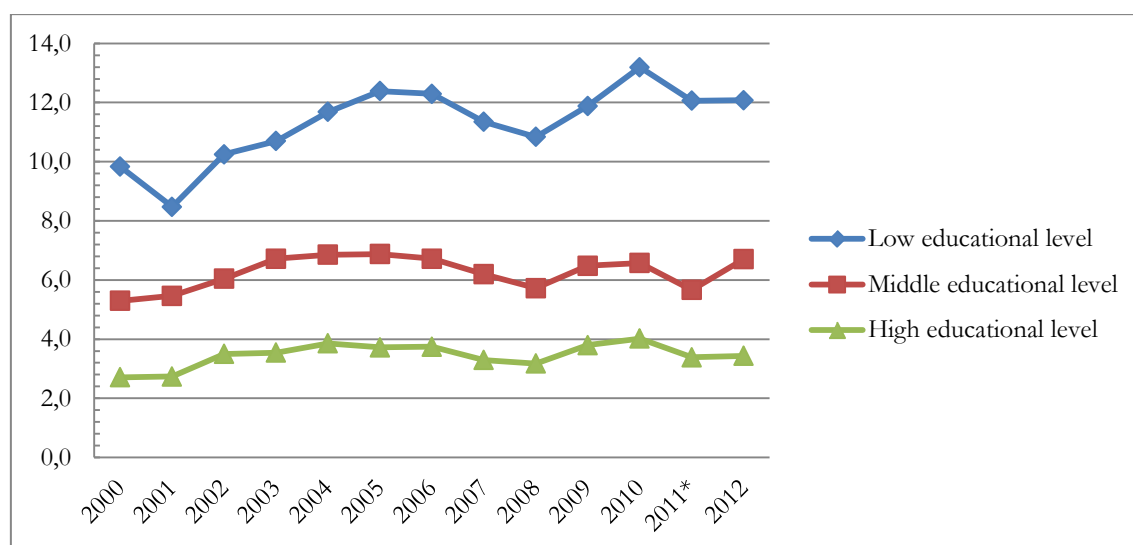
Figure 3.12 Employment rate (25-64 year olds) according to educational level, Belgium (%)



Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

The unemployment rate of the low educated shows an increasing trend: it went from 8.47% in 2001 to 10.84% in 2008. The difference with the higher educated increased from 7.12 ppts in 2000 to a maximum difference of 8.66 ppts in 2005, and then decreased again to 7.66 ppts (own computations, based on data in appendix). The majority of unemployed low qualified are men, while women are in the majority amongst the low qualified inactive (HRW, 2013, p 13-14).

Figure 3.13 Unemployment rate (25-64 year olds) according to educational level, Belgium (%)



* In 2011 the phrasing of the questions in the LFS changed

Source FOD Economie - Algemene Directie Statistiek - EAK, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

The High Council of Employment concludes in its 2013 report on the low educated that the schooling level is a key factor with regard to stable employment: Compared to those holding higher education qualifications, the probability of a transition from employment to unemployment, is almost twice as high for medium educated and three times larger for the low educated (HRW, 2013, p. 126). In addition the employment of low educated became less stable during the period 1998-2011. They explain this by the overrepresentation of low educated in sectors that have been restructured, and the fact that the rise of tempagency work and temporary contracts amongst this group was quicker than amongst other educational groups (HRW, 2013, p. 14).

Reforms to boost labour demand for low-educated have mostly aimed at reducing labour costs via targeted cuts in employers' social security contribution (Hoj, 2013). There is also policy attention regarding valuing skills and competencies. There are regional procedures to certificate competencies and officially recognize professional knowledge and know-how acquired outside of typical training channels.

4 | The Crisis

4.1 General overview

In general, Belgium is known as one of the European countries which dealt with the economic and financial crisis relatively well. After a first period of economic recession in 2008 and 2009, employment started to expand again between 2009 and 2011. This period of economic recovery was followed by a second dip in the second half of 2011 (Bulté & Struyven, 2013; Heylen et al., 2013). The first crisis period 2008-2009, treated Belgium slightly less harshly than other European countries (De Mulder & Druant, 2011; 2012a). In terms of decrease in GDP, the second dip of the economy was not as sharp as the first one, but in terms of employment the second dip hit the job market relatively harder than in the first period. At the same time, the unemployment rate increased less than in most other European countries.

According to Druant & De Mulder (2012,b), structural unemployment increased after the crisis but only to a limited extent. The recent increase in unemployment accompanied by an increase in the estimated structural unemployment figure, contrary to what occurred in the period 2001-2005, indicates that the increase in unemployment has become structural for a part and that, consequently, hysteresis effects might arise.

Figure 4.1 The Belgian unemployment rate (2007-2012)

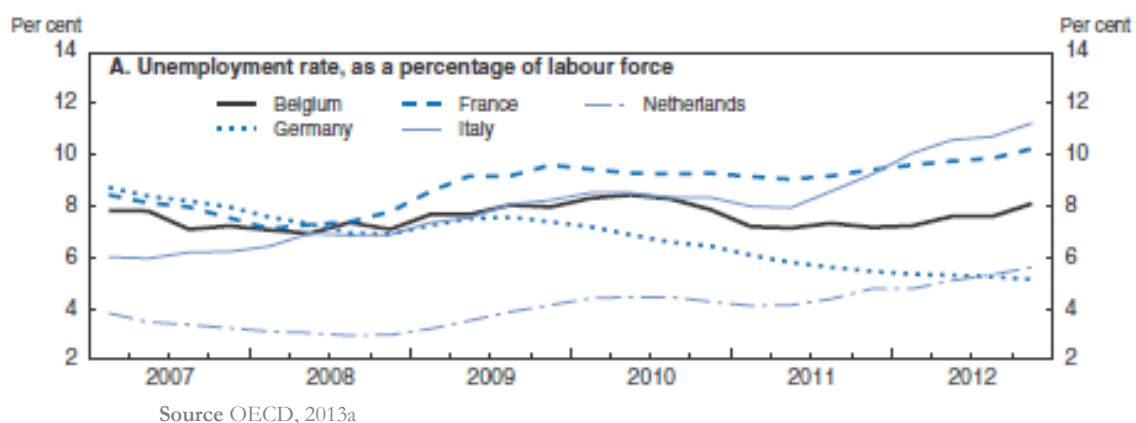
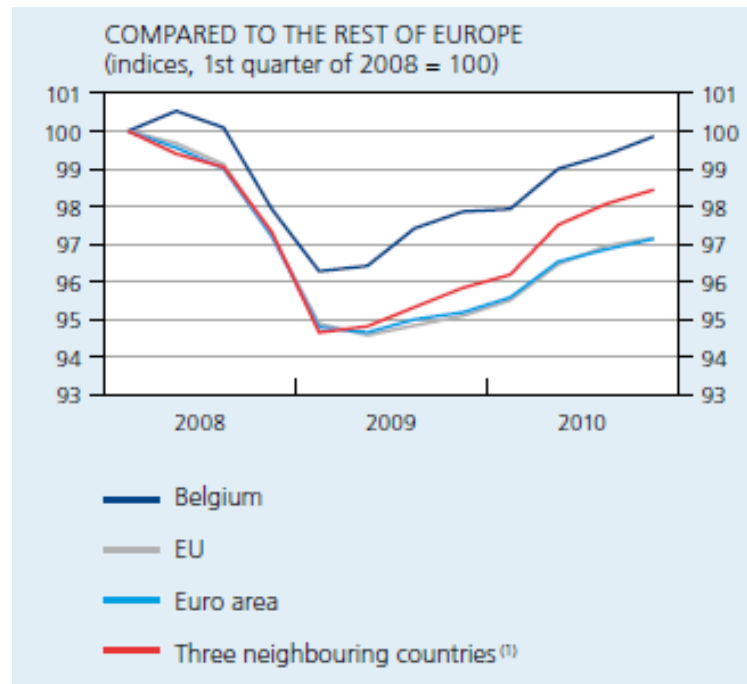


Figure 4.2 The crisis in Belgium in international context : trend in volume of GDP



Source De Mulder & Druant, 2011, p. 89, EC, NAI.

4.2 Some explanations

The low increase in the unemployment rate is widely interpreted as a result of **labour hoarding**, in particular through the large use of short working time schemes (Hijzen and Venn, 2011; OECD, 2013a). According to the OECD “the largest proportions of permanent jobs saved were in Belgium, Finland and Italy” (OECD Economic Outlook, 2010). Several factors have contributed to the relatively favourable reaction of the Belgian labour market, at least in the short term. A first factor concerns internal flexibility, employers **reduced the number of working hours** without redundancies. They made extensive use of schemes such as temporary or economic unemployment and reduction of working hours, both function as anti-crisis measures.

The largest permanent scheme for blue-collar workers, the so-called economic or temporary unemployment, allows employers to suspend (partially or completely) wage contracts, i.e. stop remuneration but keep workers on the pay-roll (Hoj, 2013). A similar scheme for white-collar workers was introduced as an anti-crisis measure in 2009. A third temporary scheme was introduced in 2009 and expired in early-2011 to allow employers to reduce working time for all employees within a collective agreement at the firm level (so-called collective reductions) (Hoj, 2013).

Anti-crisis measures

The anti-crisis law of 19 June 2009 provided for certain temporary anti-crisis measures to be taken by employers. The aim was to limit job losses resulting from the recession by increasing flexibility in the labour force. The law initiated three new measures:

- **Temporary and collective reduction of working time:** The measure provides in a lowering of social security contributions in the case of a temporary and collective reduction of working time. When accompanied by the introduction of a four-day week, the reduction is higher (see policy innovations WP3).

- **Crisis Time Credit System:** When fulfilling certain criteria⁸, firms can make use of a system that enables individual and temporary reduction of work commitments. If an agreement exists between the worker and the employer to reduce working time by 1/5 or 1/2 for a period of minimum one month and at maximum 6 months the workers receives an amount depending on his age and the reduction of working time (see Policy Innovation WP3).
- **Temporary suspension of employees' contracts of employment:** When fulfilling certain criteria⁸, firms can make use of a system for temporary suspension of employees' contracts, the workers receive a benefit equal to 70 or 75% of his or her salary limit for contributions from the National Employment Office and a matching amount of the employer (see Policy Innovation WP3).

	START	END
Temporary and collective reduction of working time	Introduced 1 July 2009	Till 31 January 2011
Crisis Time Credit System	Introduced 1 July 2009	Till 31 January 2011
Temporary suspension of employees contracts of employment	Introduced 1 July 2009	Structural measure as of 1 January 2012
Crisis wage subsidy	1 January 2010	31 december 2011

The measures made it possible for firms to respond more quickly to temporary work shortages for economic reasons. These different measures have been extended different times along the crisis period and some conditions applying to them have been relaxed. The two first two measures were stopped on 31 January 2011. The third measure was specific for white collar workers whose contracts of employment did not allow them to be declared temporarily unemployed (unlike blue collar workers, for whom temporary unemployment already existed before and has been used as a large-scale measure during the crisis) and became structural policy in 2012. The measures have been supplemented by the implementation of a crisis wage subsidy, a bonus for blue collar workers whose employment contract was terminated between 1 January 2010 and 31 December 2011.

The anti-crisis measures were not without success. The take-up of reduced working time schemes nearly doubled between 2007 and 2009. With 5.6% of workers in one of these systems in 2009, Belgium comes first in Europe; Germany follows with 3.2% (Geurts, 2012). Following OECD estimates, in the case of Belgium short time working schemes may have damped the fall in permanent employment by as much as 1.3% by the autumn of 2009, relative to a scenario where such schemes would not have been available (OECD, 2010). This figure represents 0.9% of the employment rate. According to our interviewee at the labour union *the success of these measures can firstly be explained by the fact that employers drew lessons from previous crises: they value their skilled workers and want to keep them. Secondly there is a "newfound self-esteem" amongst blue collar workers: they don't take it anymore that they are the only ones who have to stay at home on economic unemployment schemes. So the burden is divided between blue and white collar workers.* To explain the success of these policies, the National Bank of Belgium additionally points to the fact that firms were convinced that they would face structural shortages of skilled labour in the near future and were in a sound financial position when the crisis erupted (NBB, 2010, p. 43).

A second explanation for the Belgian labour market response to the crisis is concerned with employers' **intensive use of temporary agency work** to adapt rapidly to changes in demand. The

⁸ The criteria are as follows: a firm has to prove it has been negatively affected by the crisis which resulted in a fall in turnover or a fall in production. The criterion is a 15% reduction in orders, turnover or production compared to the same period one year earlier. Besides, the firm has to have a collective agreement in place that allows for the measure to be implemented.

recession in 2008-2009 led to a sharp drop in temporary employment (-29 000 full-time equivalents), which immediately was followed by a strong recovery in 2009-2010 (+ 14 000 full-time equivalents). The extent to which the tempagency sector endured the recession was much greater than during the previous crisis in 2001 (Geurts, 2012). This is because tempagency jobs today represent a much more important part of employment than in the past (1.7% in 1995 compared to 3.2% in 2011), but also because of the exceptional nature of the crisis, which struck above all sectors where many use is made of temporary agency work.

A third explanation for the Belgian response deals with the **restricted job creation** which reflects a **less dynamic labour market**, which is less resilient against economic downturns. The Belgian labour market is less able to benefit from the cautious economic recovery, job creation remains at a lower level. As a result, job growth is very limited. The sectoral structure of the economy determines to a large extent the resilience of the economy and labour demand. A high proportion of industrial firms is characteristic of an economy with strong foundations, but which is also highly sensitive to cyclical fluctuations. Furthermore, Belgium's enterprise sector does not perform well in terms of innovation. Conversely, while non-commercial services act as a buffer against cyclical fluctuations affecting labour demand, too high a proportion may have a stifling effect on the economy. The industrial sector in Belgium is a large sector characterized by fairly weak job dynamics. It has high start-up and expansion costs, limiting the effect of economic revival on job creation. Conversely, a cyclical downturn leads to increased job destruction, despite potential buffering instruments such as temporary unemployment or reduction in working hours. The sector's response to the economic downturn in 2009 was clear: the job creation rate declined, while the job destruction rate increased sharply. In some subsectors, the negative job change was primarily caused by the recession, whereas in other subsectors, it reflected the structural decline of the industrial sector. In service sectors, start-up costs are lower and existing enterprises are generally younger and smaller, thus boosting employment dynamics. Part of the job losses in the industrial branches were compensated by job creation in the commercial sector. This sectoral shift was accompanied by a strong shift from full-time to part-time jobs (Geurts, 2012). The creation of part-time jobs reflected a long-term trend of a declining volume of labour.

As a fourth explanation for the Belgian response, during the first wave of the crisis there was still a considerable **job growth in the public sector and in non-commercial services**. A typical result of Belgian labour market policies is the rise of jobs in the social services sector, consisting of cleaning services for private households paid for by the service voucher scheme. This job creation scheme had a moderating influence on unemployment among low-skilled women. This also fits into a tradition of supply-driven policy. Recently, the public sector as well as the educational sector in the French speaking community, were affected by severe spending cuts. As a consequence, replacement of employees on retirement was delayed or drained. Particularly in healthcare and social services job creation was high, which compensated for job losses in the industrial and commercial sectors during the economic downturn. In recent years however, their compensating role as economy-stabilizing sectors is cancelled out.

In sum, the Belgian economy has been resilient throughout the crisis with a smaller increase in unemployment than in many other OECD countries, which reflected widespread labour hoarding. Furthermore, more people were (temporarily) employed through the extensive use of temporary agency work. Third, the creation of part-time jobs reflected a long-term trend of a declining volume of labour. Besides the extensive use of short time working schemes, another factor that contributed to the declining volume of labour resulted from a sectoral shift in employment from the industrial towards the tertiary and quaternary sectors of economy. Besides time adjustment mechanisms, there has been a significant decrease in tempagency contracts during the crisis.

4.3 Automatic Stabilizers

The initially favourable analysis of five years of crisis on the Belgian labour market to a certain extent hides deeper structural changes in the employment structure (especially due to deindustrialisation), which causes shocks to which labour market actors are barely prepared. According to employers' advocates, the low degree of job creation is caused by the high labour costs and the strong employment protection of insiders on the labour market. A large number of labour market institutions have come under pressure: minimum wages (which are high by international standards), automatic wage indexation (along with Greece the only country in EU), wage-setting based on seniority instead of productivity (loss of cost competitiveness), employment protection (costly layoff procedures for white-collar workers), generous unemployment benefits, and a complicated tax-benefit system. These latter elements of fiscal policy are defined as automatic stabilizers which mitigate output fluctuations without discretionary government action (Dolls et al., 2012). In particular in the recent economic crisis in Belgium, the workings of automatic stabilizers in the fiscal system are found to play a key role in providing income insurance for households and hence in stabilizing demand and output. Belgium is one of the countries within the EU for which the highest stabilization coefficients are found.

However, the favourable working of automatic stabilizers – wage indexation mechanism, centrally negotiated wage formation, generous social security system and progressive tax system – also has its down side. The annual OECD report on the Belgian economy (2013) points out that there are many inbuilt factors which reduce the competitiveness of Belgium's labour market. These include high taxes and the perverse effects automatic wage indexation has on salary growth⁹. The OECD recommends that this mechanism be phased out and that wage growth be more closely linked to performance. Encouraging labour hoarding is now called a high-risk practice for companies during a recession as it reduces profitability, although it guarantees that talent remains in the company.

Interviewees at the NBB argue that employment in the public sector was an additional stabilizer. However, budgetary reasons limit the scope of this policy measure. Belgium has created employment by subsidizing jobs e.g. the system of service vouchers but on the long term such schemes are not sustainable without more economic activity. Growth figures are low, and consequently is job creation. Belgium deployed temporary unemployment as an element of flexibility, which is useful for short-term shocks. But we notice that employers continue using it, which is a barrier for growth because workers remain unavailable for the economy, even highly skilled and medium skilled profiles that are in demand by other employers. Thus, instead of increasing flexibility of the labour market it becomes an element of rigidity that increases the problem of mismatch.

4.4 Systemic Reforms

Besides the temporary measures, several structural measures were taken to improve the labour market position for both employed and unemployed. The crisis did not hamper taking on structural problems. Under the new federal government since 2011, fundamental reforms took place in the

⁹ Belgium has some of the highest tax wedges among the OECD countries (Høj, 2013).

retirement scheme (through post-ponement of early retirement age), the degressivity of the unemployment benefits (which was strengthened), the reform of the waiting allowance for school leavers, and the uniform statute for blue and white collar workers (which entailed a number of changes in labour contract legislation). Reforms aimed in particular at increasing activity of both the young and older workers and reducing labour market traps.

- **Unemployment Benefit System Reform:** The unemployment system was reformed to strengthen search incentives for unemployed workers. The reform includes greater degressivity in unemployment benefits, the tightening of the eligibility conditions for the integration allowance (formerly waiting allowance) for school-leavers and strengthening job search monitoring/ active job-seeking (see policy innovations WP 3).
- **Early retirement reform:** By reforming the early retirement and pre-pension programmes (e.g. by raising the admission age and career length requirements), Belgium aims to increase the internationally low effective retirement age and align it with the statutory retirement age (see policy innovations WP3).
- **Uniform statute for blue and white collar workers:** The unified status harmonizes labour conditions for blue and white collar workers (new redundancy scheme, trial periods, outplacement, etc.)
- **Fiscal measures:** measures to lower targeted payroll charges have similarly been decided for young people and older workers – specifically the target groups for which the employment rate is still very low (e.g. Work Bonus)

Policy Reactions

During the expert interviews, some remarks were made concerning the type of policy measures and the timing of policies. These are as follows:

- According to the FOD WASO experts *the crisis was a momentum to create 'targeted measures' for youth and for short time working schemes*. The latter have mostly benefited workers with permanent contracts, higher unemployment mostly affected workers with weaker labour market attachment due to labour market segmentation between insiders and outsiders (Hoj, 2013).

-The FOD WASO experts and the Flemish Government expert on older workers *think that the crisis was not really a momentum for reforms in the unemployment benefit system (like the degressivity and the stricter rules for school leavers) or retirement schemes but it did make it easier, especially in combination with the budgetary tightness*.

-The crisis further caused that *the service vouchers were not questioned although they have a large price tag* according to the FOD WASO experts. As mentioned before, the vouchers were an important mediating factor for the low educated (mainly women).

-The FOD WASO experts observe that *the crisis did not cause major breakages in policy but did affect ideas*. Firstly *the idea that employment of young and old can go together*. Secondly *consciousness of the importance of a better transition between education and employment was raised*. European policies, such as the Youth Guarantee, stimulated this conscience.

-The budgetary context played an important role for the type of measures chosen, according to the FOD WASO experts. *Because of the budgetary tightness the budget could not be raised, so shifting funds means creating losers which is a politically sensitive matter. Therefore measures are chosen that give the biggest possible group something extra which results in a small marginal effect on employment. In this way the measures do not solve anything structurally about the economic situation*. This is also the analysis of the interviewed youth expert. He believes the focus is too much on the framework enabling policies, e.g. labour costs, but this does not necessarily result in more jobs. To illustrate, he cites a metaphor of employers during the crisis of 1980's: "If the horse is not thirsty, it will not drink." His conclusion is that there is a macroeconomic problem of too little demand, while policies focus too much on measures affecting supply (cf. activation of unemployed)

5 | The effect of the crisis on the vulnerable groups (2008-2013)

According to our interviewees at the Federal Public Service Employment, Labour and Social Dialogue (FOD WASO) *the groups that are vulnerable now are the same groups that were vulnerable in the period before the crisis. They do observe a striking difference between men and women before and after the crisis and state the crisis could be regarded as a good thing for gender equality.* Our interviewees at the National Bank of Belgium (NBB) provided statistics (EC: LFS) on the Belgian employment rate evolutions for men and women for the first three quarters of 2013 w.r.t. the first three quarters of 2008: men lost 0.2 ppts, while women gained 2.0 ppts. An explanation for this more adverse effect on men is that they often work in sectors that are more sensitive to the business cycle while women are strongly represented in the less sensitive service sectors (NBB, 2011). Apart from this sectorial explanation the rising employment rate of women is underpinned by cohort effects: the youngest groups in the female population are increasingly skilled, and those women are participating in working life to a greater extent and for longer periods (Ibid). These same cohort effects and the effects of the reforms in pension schemes are often quoted as an explanation for the increasing employment rate of older workers. De Mulder & Druant (2012b) also mention added worker-effects resulting from the negative income and wealth effects of the crisis.

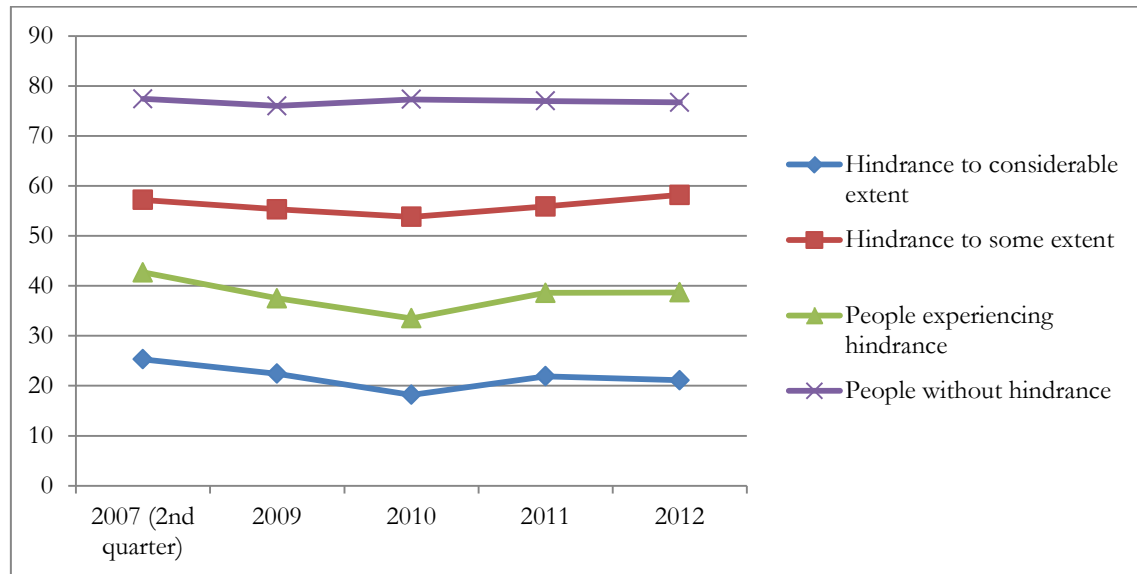
The impact of the crisis affected mostly the flexible (temporary) workers, businesses in restructuring and certain groups like young people and the low-educated (Dynam Press release, 2013). Our analysis adds the non-EU migrants to the most affected groups. According to Mulder & Druant (2012b) labor market segmentation increases the correction of employment due to adverse shocks and it causes disproportionate pressures on the adaptation process for specific employee groups, such as the aforementioned. De Mulder & Druant add that the longer these groups are unemployed, the greater the risk that their skills will diminish, making it harder for them to find work in the future which can eventually lead to higher structural unemployment. In conclusion, we should consider the same groups as vulnerable before and after the crisis, but the crisis has exacerbated their situation, exposing vulnerable groups even more.

5.1 The position of the disabled on the labour market

5.1.1 Effects of the crisis

According to the interviewed Flemish government disability expert *we were doing well until the crisis came along. This is indicated by the employment rate, where the positive evolution between 2002 and 2007 was offset after 2007.*

Figure 5.1 Employment rates of people experiencing hindrance * (20-64 years old), Flanders (%)



* LFS 2007-2009-2010-2011: Do you experience in your daily activities (at work or elsewhere) hindrances due to a disability, a long-term condition or illness (whether or not work-related) Yes, a lot. Yes, to some degree. No

Source Samoy, 2013 and FOD Economie – AD Statistiek en Economische Informatie – LFS 2012 Bewerking: Department WSE.

Between 2007 and 2010 a sharp decrease was observed in the employment rate of people who are hampered by a disability, a long term condition or illness in Flanders. This may be caused by a survey bias, but it is possible that some of the disabled people, discouraged by the economic crisis, withdrew themselves from the labour market. This is because after losing their jobs, disabled people generally flow out more often to inactivity than to unemployment (Boey, 2011, who cites Samoy, 2011). For the group that doesn't experience hindrance, the decrease of the employment rate was much smaller, as of 2007 the **disability gap** in the Flemish employment rate increased. The employment rate amongst the Flemish disabled started rising again in 2011. The government disability expert thinks of the following explanations: *a bigger budget for jobcreation; more people put into action for specialized employment guidance within the Flemish PES (because of the mainstreaming of ALMPs in the PES, see above); the Flemish Support Grant (see below); people with psychological problems, the 'MMPP' group, get more attention and specialised guidance; people on the Health and Disability Insurance are being activated.*

The disability expert continues *that many social economy organizations (SEOs) perform activities (production, services) which are sub-contracted with ordinary firms, so the crisis hit the SEOs, especially the sheltered workshops, as well.* The **sheltered workshops** employ many disabled people. In 2010, Flanders spent 220

million euros on wages for about 16 000 disabled employees in sheltered workshops (Samoy & Waterplas, 2012).

*According to the government disability expert the crisis also had a negative effect on the **achievement of target figures or quota by the government**. Because of the crisis and subsequent budget cuts, governments have almost stopped hiring. This combined with the fact that they mostly hire higher educated persons and the fact that a large proportion of the disabled are low-educated makes it difficult to achieve the quota. A solution, according to the interviewee, could be to outsource more tasks to protected employment.*

5.1.2 Trends and policies

There were no real anti-crisis policies targeting the disabled. But there were anti-crisis measures that applied to the sheltered workshops, which employ many disabled.

Schemes in Belgium (and later Flanders) tended to become broader and more generous until the Flemish government stepped on the brakes in 2010, partly because of the crisis (Samoy & Waterplas, 2012). In 2008 two wage cost subsidy schemes (CAO 26 and the VIP) were replaced by the Flemish Support Grant shortly called VOP I¹⁰. The VOP was unlimited in time and further broadened the scope of wage subsidies to local authorities, education and self-employment. The greater visibility, broader eligibility base, attractive subsidy levels and lack of review of this new scheme boosted take-up. The economic crisis and a change of government led to an overhaul of the system, with the aim of containing costs. In 2010 VOP II restrictions on subsidy duration were imposed and the pace of subsidy rate reduction was sped up (Ibid).

The existing federal subsidies for disabled people were abolished in the early nineties but were reintroduced in 2011 by including this category of jobseekers into the ACTIVA scheme: jobseekers who find a job may keep their unemployment benefits for a variable period of time, while their employer may deduct this amount from the net wage payable (Samoy & Waterplas, 2012).

Policy is catching up with the trend of the increasing share of disabled with mental health problems. According to the interviewed Flemish government expert on the disabled *the group with mental health problems is being targeted in Flanders by policies and experiments with specialized trajectories combining work, welfare and specialized care. With the W²-approach, **combining work and welfare** in pathways to work tailored to the person's needs, Flemish policy takes a big turn in the positive direction. A new target group called 'the MMPP', which stands for people with medical, mental, psychological and psychiatric problems, was created in Flanders. Along with defining new groups like the 'MMPP', **medicalization** of problems has crept in. This trend evokes resistance according to our interviewee at the labour union. Until today the MMPP group is only being reached on a project base. Wallonia and Brussels also pay attention to this group. The Flemish government expert on older workers adds that it often concerns non-labour related problems (MMPP group) and that people in poverty also belong to this target group. According to the labour union interviewee the most vulnerable receive more policy attention as there is another new target group defined: people with a large distance from the labour market (33% disabled). According to him this is too little, too late, but defining the target group itself poses enormous opportunities. There are a lot of policy measures initiated but at the moment we are nowhere.*

¹⁰ The subsidy amounts to 40% of eligible labour costs (capped at twice the minimum wage) during the first year of employment, 30% during the next three years and 20% from the fifth year onwards for an indefinite period of time and without further review. However, the employer may apply, for an upgrade to up to 60% at any time when this is justified by circumstances (Samoy & Waterplas, 2012).

5.2 The position of migrants on the labour market

5.2.1 Effects of the crisis

The crisis had a strong negative influence on migrants, especially the non-EU nationals. Our interviewee at the labour union summarized the situation as *'it's going from bad to worse'*. The employment rate of non-EU nationals kept on decreasing after 2008 and started to increase again in 2009 for other EU-nationals. Non EU-nationals went from an employment rate of 39.9% in 2008 to 36.6% in 2012. The employment rate of other EU-nationals stayed close to that of Belgian nationals and went from 62.40% in 2008 to 62.07% in 2012. The employment rate gap with Belgian nationals increased between 2008 and 2012 with 3.54 ppts for non-EU nationals (from 23.27 ppts to 26.81 ppts) and with 0.17 ppts (from 0.72 ppts to 0.90 ppts) for other-EU nationals (own computations, based on data in appendix).

The unemployment rate of the three nationality groups mirrors the double cyclical downturn but the unemployment rate of migrants reacts stronger than that of Belgians, with the strongest reaction amongst non-EU nationals. Belgian nationals end up with an unemployment rate of 6.53% in 2012 versus a rate of 6.34% in 2008, for other-EU nationals and non-EU nationals these rates amount to 11.14% versus 9.15% and 30.74% versus 27.40% respectively. The unemployment rate gap with Belgian nationals increased between 2008 and 2012 with 1.80 ppts (from 2.81 ppts to 4.61 ppts) for other-EU nationals and 3.14 ppts (from 21.06 ppts to 24.20 ppts) for non-EU nationals.

5.2.2 Trends and policies

According to our interviewees at the Centre for Equal Opportunities and Opposition to Racism, **structural factors** explain the effects of the crisis for immigrants (they explain also why we are doing so badly in European perspective).

- Firstly, the rigid EPL means that employers are very risk averse in hiring.
- Secondly immigrants are often employed in sectors that are vulnerable to economic downturns like construction and industry (CGKR, 2012, p. 123).
- Thirdly, immigrants work often in low quality jobs, often in short term contracts or tempagency work. This means that when a negative demand shock hits they are the first to go, together with youth. Our interviewees further state that these short term jobs normally work as a stepping-stone into better quality jobs, but for immigrants the stepping-stone-effect is less than for other groups. They stay in short term jobs for a longer time.

A report of the Federal Public Service Employment, Labour and Social Dialogue and the Centre for Equal Opportunities and Opposition to Racism (2013, p. 311) also finds that there is an ethnostratification of the labour market according to **statute**: blue collar versus white collar worker. This could be a further explanation. The new uniform statute for both types of workers as of 2014 should remedy this.

Education, however, is not a conclusive explanation for the effects of the crisis. The National Bank of Belgium interviewees mentioned surprising results when educational level is taken into account. Looking at the educational level, the middle and higher educated non-EU immigrants got hit the worst. Their employment rate decreased between 2008 and 2010 with 1.9 and 2.4 ppts respectively versus a decrease of 1.1 ppts for the low educated. But there are still many differences in the

employment rate levels. The lower educated non-EU nationals still have the lowest employment rate.

Table 5.1 Employment rate according to personal characteristics 2008 versus 2010

	2008		2010	
Sex	Born in Belgium	Born outside EU-27	Born in Belgium	Born outside EU-27
Male	69.2%	60.2%	68.5%	56.5%
Female	58.2%	36.6%	58.7%	36.9%
Age				
15-24	27.8%	19.7%	25.6%	19.2%
15-24 (excl. students)	74.5	43.2%	69.4%	43.8%
25-49	85.6%	56.3%	85.0%	54.4%
50-64	48.8%	40.8%	52.2%	39.2%
Educational level				
Low	40.1%	34.2%	39.6%	33.1%
Middle	68.1%	53.7%	66.9%	51.8%
High	84.3%	68.4%	83.5%	66.0%
Total	63.8%	48.1%	63.6%	46.5%

Source CGKR, 2012, p.123, FOD Economie, Algemene Directie Statistiek en Economische Informatie, LFS.

The statistics further reveal who amongst **non-EU immigrants** got hit the worst. When crossing the age and birth nationality it seems that the crisis mainly affected older non-European immigrants. The employment rate in the age category of 50-64 year olds born outside the EU-27 decreased between 2008 and 2010 with 1.6 ppts. Amongst the young immigrants from outside the EU-27 (15-24 years of age excluding students) the employment rate interestingly enough increased slightly with 0.6 ppts while that of Belgian youth decreased with 5.10 ppts. But we have to keep in mind that there is still an employment rate gap of around 30 ppts between them.

There was **no (anti-crisis) policy** directly aimed at the position of immigrants on the labour market. As the immigrant population for a large part consists of young people and low educated they were indirectly covered by anti-crisis measures directed at these groups.

5.3 The position of youth on the labour market

5.3.1 Effects of the crisis

Employment amongst youth showed a decline of 2.14 ppts, from 27.40% in 2008 to 25.26% in 2012. When students are excluded the employment rate decreased with 4.41 ppts, from a level of 72.01% in 2008 to 67.60% in 2012. Youth end up with a lower employment rate than in the year

2000, i.e. 29.04% (data excluding students are not available before 2007). The employment as well as the unemployment rate mirrored the double dip in economic activity. In 2008 17.97% of youth was unemployed versus 19.75% in 2012, an increase of 1.78 ppts. In 2000 the unemployment rate stood at 17.55%.

According to De Mulder & Druant (2011) the employment of low educated young people was the first to suffer from the slowdown in the business cycle, while at the crisis peak, it was employment amongst persons with medium qualifications that recorded the most marked decline. On the other hand, employment amongst highly-qualified workers grew during and after the crisis. But there are regional differences as the High Council of Employment finds that in Wallonia high educated suffered more from the crisis than the low educated. This may be caused by the fact that more and more young people enter the labour market with higher education qualifications, but also that some high educated profiles are less in demand, which in times of economic downturn, may affect their employment opportunities (HRW, 2013, p.50). But all the interviewees agree that it is mainly low educated youth that we should be worried about.

Labour Force Survey data show an increase in the NEET-rate¹¹ (15-24 year olds) and in the percentage of unqualified school leavers¹² (18-24 year olds) as of 2008. The interviewed youth expert *mentioned a possible explanation for the increase in unqualified school leavers: Lower educated young people leave school to go to work to maintain household income levels, whereas higher educated tend to attend school longer* (for more on this topic see Tumino & Taylor, 2013 and Lavrijsen & Nicaise, 2013). But there is criticism about the LFS indicator for unqualified school leavers (see a.o. Van Landeghem & Van Damme, 2009). When looking at administrative educational data, which are more accurate as they look at the population instead of a sample like in the LFS, there is a marked **decline in the percentage of early school leavers** between 2008 and 2010. According to Van Landeghem et al. (Van Landeghem, De Fraine, Gielen, & Van Damme, 2012) this decrease can mainly be ascribed to the fact that after 2008 more unqualified young people, particularly boys, chose not to drop out of school.

5.3.2 Trends and policies

There is discussion to what extent we should worry about the labour market position of youth and if there is a 'lost generation'.

According to our labour union interviewee *since the 1980's firms build a buffer of temporary and tempagency workers around their inner core of workers with a permanent contract. In case of a crisis and a decrease in demand this buffer which consists mainly of young people, is reduced.* A big part of youth unemployment is **cyclical**. Because of this the rise in youth unemployment is not always conceived as problematic. *Indeed, our interviewees at the FOD WASO mention this phenomenon, in addition to the fact that young people in Belgium in a European perspective are not that disadvantaged, to assuage unease and concerns related to youth unemployment. Because of the sensitivity to business cycle effects, youth will enter the labour market later than in normal circumstances* (this is effectively the case according to Plasman, 2010). *They add that they can't deny that this will have negative effects though (cf. scarring-effects).* The interviewed labour market researcher *thinks that there will be scarring, but that the real question is how strong this effect is. He analyses the situation as follows: those youth who already had a weak position see their position weakened even more because of the crisis.*

¹¹ This indicator shows the proportion of young people that are not following training or education and are not working in the age group of 15-24 year olds.

¹² The figures of unqualified school leaving represent the proportion of young people (18-24 years) with only lower-secondary education who did not participate in training during a reference period of four weeks.

Also in a recovery phase, young unemployed face competition from newly qualified entrants on the labour market without necessarily being able to claim significant **work experience** (NBB, 2011, p.59).

According to the National Bank of Belgium (2012, p. 142), fears of a 'lost generation' should not be exaggerated because the number of young unemployed declined steeply when there was a revival in 2011. They also mention the December 2011 government agreement that not only stipulates that this group will qualify sooner for activation and assistance in their efforts to find a job, but also replaces the **waiting allowance-system** for school leavers with a stricter system with a longer waiting period before benefits are provided and an insertion allowance that is now restricted in time to a maximum of 3 years. In addition, the enrollee has to fulfill new active search requirements before receiving the benefit and thereafter every sixth months (OECD, 2013a). This new scheme should encourage youth to start looking for work sooner and more actively (NBB, 2012). Our labour union interviewee *expressed concern about this scheme and what will happen to those long term unemployed youth who are nearing the end of their 3 year period. He observes that the idea of workfare is gaining strength, especially in Flanders, where people on benefits become the scapegoat.*

The interviewed youth expert *is also concerned. Putting efforts in activation and guidance is not enough because the problem seems to be the **lack of (qualitative) jobs**. Young people end up in the secondary segment of the labour market. Those low-quality jobs are usually a stepping stone, but because of the crisis, the stepping stone effect is absent, and people get stuck in flexible jobs without any future prospects. He further states that the large policy attention for employment activation increases **the pistachio effect** (as it is called in youth work) amongst employers. This 'pistachio effect' means that the harder nuts to crack are, the more they are left until later, or, at worst, simply disregarded, and it describes the paradoxical consequence of strategies that concentrate on imposing individual solutions to social exclusion (Tiffany, 2007 cited in Coussée et al., 2010). The youth expert continues that *policy attention for labour market related skills and attitudes is needed, but also for working on self-reflection, self-esteem and the ability to process negative experiences.**

According to the experts of the Federal Public Service Employment Labour Social Dialogue *youth got a lot of attention in **anti-crisis measures**, especially low educated youth entering the labour market with measures like the Win-Win plan (from January 2010 until the end of 2011) and the internships for low educated youth ('instapstages', 2013)¹³. Measures mainly targeted wage costs and getting people into a job. The labour union expert feels that measures against youth unemployment came quite late because it was supposed to be a temporary problem as the labour market position of youth is very sensitive to the business cycle. He warns that in times of crisis, policy should focus on youth as well as on older workers because the labour market becomes less dynamic, so the risk of communicating vessels goes up.*

¹³ The Win-Win plan introduced full or partial exemption from social security contributions for younger workers, where the degree of exemption depends on age, education level, and length of unemployment. It was also targeted at older unemployed and long-term unemployed (Høj, 2013). The system of entry-internships is targeted at low-qualified young people; the employer pays a monthly premium of 200 euros, whereas the National Employment Service pays a complementing training allowance.

5.4 The position of elderly workers on the labour market

5.4.1 Effects of the crisis

The crisis did not change the increasing trend in the activity rate nor in the employment rate of older workers. In 2012 the rates stood at 41.35% and 39.49% respectively, in 2008 at 36.10% and 34.51% versus 26.8% and 26.1% in 2000. The unemployment rate mirrors the double dip in economic activity. In 2012 it stood at 4.49%, in 2008 at 4.36% versus 3% in 2000.

A number of interviewees point out the cohort effect of higher female participation on the labour market. This makes it hard to say what effect the crisis had. According to the interviewed labour market researcher *the crisis probably slowed down the upward trend but the question to what extent is hard to answer*. The National Bank of Belgium experts *think of the steady rise of the employment rate of older workers as surprising because in the past we would have seen more effect of a crisis. On the other hand they think of it as a logic consequence of all the measures that were taken in the last decade concerning older workers (e.g. reforms concerning the retirement age and early retirement schemes, the time credit system)*. The interviewees at the Federal Public Service Employment Labour and Social Dialogue (FOD WASO) *also think of these measures as an important explanation, but they note that it's hard to tell if they indeed have an effect because there is no counterfactual*.

5.4.2 Trends and policies

The 2005 Generation Pact did not have the expected impact on the effective **retirement age** (OECD, 2013a). But in 2009 the statutory pension scheme for women was aligned with that of men by gradually raising the standard retirement age from 60 to 65 years and extending the length of working life necessary to qualify for a full pension from 40 to 45 years (NBB, 2012, pp. 140-141). As of 2012 with the new 'unemployment with company surcharge' scheme, eligibility requirements for early retirement got stricter, early exit or pre-retirement systems are gradually rolled back, the reference period for the calculation of benefits was extended, and pension rights accrued during periods of inactivity were reduced. According to the NBB (2012, pp140-141) the effect of these measures is clear as the proportion of people in the 55-64 age group using the various schemes permitting an early exit from the labour market fell by around 10 ppts in a decade (2000 vs. 2011), to reach 39% of the social security system.

Measures were introduced to **improve** the **employment prospects** of older workers such as the obligation for larger firms to develop strategies for boosting employment of older workers ('employment plans for older workers' in 2013) (OECD, 2013) and the obligation for employers to provide active support to dismissed workers (older than 45 years) in their exploration for new job opportunities (outplacement policies). In addition, the government invests in initiatives to keep older workers longer at work, to make jobs more 'workable' for older people (e.g. diversity plans for companies). But according to the Flemish government expert on older workers *the workability as measured by the Workability Monitor (SERV) for the total population increased but for older workers there was not a lot of change despite of all the measures*.

Measures regarding **wage costs** are indirectly taken through a plethora of subsidies for older workers on the federal and regional level. When asked about the effectiveness of these measures the Flemish government expert on older workers assessed that *employers would not hire older workers only because of these measures, nevertheless the effects shouldn't be underestimated. Employers mainly talk about the*

wage cost problem of older workers. The problem is that there are so many different subsidies and they are not always well geared to one another. In addition Belgium is a country of Small and Medium Enterprises (SME's) and they don't always have the means to do the administration needed to apply for the subsidies. The government expert told us that surveys reveal that these measures are not very well known by employers, and she thinks that this could also be an SME-effect.

According to the government expert on older workers *Flanders was the first to change the passive employment policy for older workers with the introduction of the 'systematic approach' for 50-52 year olds in 2009. This approach entails quick contact, screening and intensive coaching and mediation by specially trained PES-consultants (50+consultants) and labour union consultants. According to a study by Bollens (2011) this approach significantly increased chances to move into a job with 3 to 4 ppts (for 50-52 year olds). In 2011 and 2012 this approach was extended to respectively 53-55 and 56-57 year olds. Another policy aimed at activating older unemployed is the **back-to-work bonus**, which encourages older unemployed (55+) to take up work by offering them a monthly supplement, paid for by the National Employment Office in addition to the wage of the worker.*

There were no real **anti-crisis measures** targeted at older workers except the 2010 Activa Win-Win plan (see above). The crisis may have provided a momentum for changing early retirement legislation. The government expert on older workers *nuances this: it was mainly the budgetary scarveness that made this possible but of course the crisis worsened this scarveness. According to the Federal Public Service Employment Labour Social Dialogue, youth got a lot of policy attention since the crisis, but there was never a political signal that the older workers weren't important anymore. The idea that the employment of youth and older workers are incompatible has been left according to them.*

According to our labour union interviewee *the policies or laws aimed at employers are often "laws without teeth", without sanctions if not obeyed. The Flemish government expert on older workers doubts if increasing **enforceability** will work. The instruments to make things enforceable are more easily available on the side of the unemployed than on employer's side. She thinks that a mentality change amongst employers as well as incentives to hire/keep older workers is needed.*

*In recent years a willingness to change structural problems and a **mentality change** amongst employees and employers is observed by the government expert on older workers. Politicians often speak of the need of everyone working longer, the solidarity needed amongst the generations, the implications of population ageing, shortages on the labour market, etc. Amongst employees there is a growing awareness that they will have to work longer. Employers are beginning to realize that they will have to change their mentality towards older workers because of the (future) shortages. The expert notices a large demand from companies for support relating to employing older workers (the Flemish government provides this in various ways). But things are changing slowly, the expert still notices a lot of prejudice and a high threshold for employers. In the experience of the expert the threshold disappears once an employer hires an older worker. Employers then emphasize the attitudes of older workers like punctuality and loyalty.*

5.5 The position of other relevant vulnerable groups on the labour market: the low qualified

5.5.1 Effects of the crisis

The employment rate amongst the low educated decreased between 2008 and 2012 with 1.71 ppts (from 49.43% to 47.72%), while that of the middle educated decreased with 1.25 ppts (from 74.74% to 73.49%) and that of the high educated with 0.16 ppts (from 84.72% to 84.56%). The high educated ended up with the almost the same employment rate as in 2000, while that of the middle educated was 1.05 ppts lower and that of the low educated was 2.55 ppts lower.

The crisis is clearly visible in the unemployment rate. The unemployment rate of the low educated reacted the strongest to the crisis: it increased between 2008 and 2012 with 1.24 ppts (from 10.84% to 12.08%), while that of the middle educated increased with 0.98 ppts (from 5.72% to 6.70%) and that of high educated with 0.26 ppts (from 3.17 % to 3.43 %). Low educated and medium educated workers are in a worse off position compared to the year 2000: their unemployment rate gradually increased with 2.25 ppts and 1.41 ppts respectively. High-educated are better off, their unemployment rate decreased with 0.72 ppts compared to 2000.

Our interviewees at the National Bank Belgium (NBB) state that a low level of education is a transversal feature among the various defined Inspires target groups and this characteristic seems to be an important explanation for the extent to which they are hit by the crisis. De Mulder and Druant (2011) observe an **inverse relationship between the sensitivity of employment during the crisis to the business cycle and the level of education**: the least qualified workers are the first to suffer the consequences of the fluctuations in activity and are the most severely affected.

5.5.2 Trends and policies

Underneath these quite steady employment figures lie important differences between man and women. The employment rate of low educated men decreased much stronger than that of women (HRW, 2013). The **service voucher scheme** was an important factor to mitigate the effects of the crisis as it created jobs that were mainly taken up by low-educated women.

The High Council of Employment observes that the **employment** of low educated became **less stable** between 1998 and 2011. They found several reasons for this: on the one hand, the low educated are overrepresented in industries that are significantly restructured in recent years and, on the other hand, they experience more difficulties signing employment contracts for an indefinite period (tempagency and temporary contracts increased faster in this group than in the other educational groups) (HRW, 2013, p.14).

The interviewed youth expert observes that *the low qualified are in danger of exclusion as well on the secondary labour market, due to various reasons including downsizing, higher demands associated with training and educational levels, attitudes and **displacement effects***. The High Council of Employment agrees: ‘Against the background of a general increase in unemployment, higher educated are willing to lower their requirements regarding the quality of work and the level of remuneration (HRW, 2013, p.23)’.

According to the High Council of Employment, the yet substantial tax cuts have not enabled the employment rate of low-educated to increase. The number of vacancies reserved for this group is still insufficient and they also face competition from higher educated job seekers (HRW, 2013, p. 24-25).

6 | Factors affecting the position of vulnerable groups

In the table below we present a comparative overview of evolutions in the employment and unemployment rate of the vulnerable groups in Belgium. The disabled are not included because we only have (reliable) figures on the employment rate evolution between 2007 (2nd quarter) and 2012 of people experiencing hindrance in Flanders, this went down with 4 ppts (see data in appendix).

Table 6.1 Evolutions of the labour market position of vulnerable groups in Belgium (ppts)

Vulnerable groups	Employment rate		Unemployment rate	
	2012-2008	2012-2000	2012-2008	2012-2000
Working age population (15-64)	-0.55	1.70	0.58	0.51
Youth (15-24)	-2.14	-3.78	1.78	2.20
Youth (15-24, excl. students)	-4.41	NA	NA	NA
Older workers (55-64)	4.98	13.37	0.13	1.50
Other EU-country nationality (15-64)	-0.33	3.77	2.00	1.09
Non-EU nationality (15-64)	-3.69	2.87	3.34	0.99
Low qualified (25-64)	-1.71	-2.55	1.24	2.25

Source own computations, based on LFS data in appendix

The disabled, youth and non-EU nationals were hit the hardest by the crisis. However, when comparing the situation in 2012 with those in 2000 the employment rate of non –EU nationals increased. The biggest losers for the 2000-2012 period are the low qualified and youth. The evolution in the youth employment rate can be biased by evolutions in the student population. Older workers have improved their position on the labour market based on these indicators. In spite of their higher participation on the labour market, their position is ‘au fond’ not less vulnerable. Getting out of unemployment is a rare phenomenon for older workers and keeping them at work still requires supportive measures.

In the table below we present a comparative overview of the factors that emerged from the interviews as an explanation for the vulnerability of certain groups. The first four institutional filters are based on Buchholz et al. (2006), and were completed by filters inductive from the research (see box).

Institutional filters – adapted from : Buchholz et al. (2006, pp. 12-18)

The **employment relations system**, in which a distinction is made between open employment relationships which are "decentralized, dualistic and based on free market forces", such as in the case of the US and the UK, and coordinated market economies with strong unions and centralized procedures of negotiation. This distinction impacts the employment protection systems (the stronger the unions are, the stronger employment protection will be) and therefore the ease to adapt to structural change (more adaptability in open employment relationships, where dual labor markets are likely to emerge). Mobility will therefore be higher and the rate of early retirement lower in the former type of economies. By contrast, in coordinated systems labor exit will mainly take place through early retirement, on the condition that the pension schemes provide enough financial incentives to do so (cf. infra), and due to the strength of employment protection mobility will be lower.

Occupational structures and labor market boundaries refer, in this context, to the extent to which the structure of labor markets and labor market policies encourages or discourages employees to be mobile in response to technological change. That structure is closely related to both the educational system, by which skills are produced and maintained, and the policies relating to lifelong learning. On the one hand, it is hypothesized that countries with well-developed, standardized vocational training systems, such as Germany, will create rigid labor markets, where mobility will be cumbersome, and that adjustment of older workers to economic change will happen through early retirement. On the other hand, countries where skills are acquired through on-the-job training both job-to-job (US, UK) and occupational mobility is likely to happen. With regard to the provision of lifelong learning, a difference is made between a first category of countries (Southern and Central Europe), where training is limited to an early period in life and therefore has a larger impact on the workers' career, and a second one (liberal and Scandinavian countries) where re-training opportunities are provided throughout the life course.

Employment-sustaining policies of the welfare state. The last domain refers to the ensemble of those policies which are explicitly aimed at facilitating employment and at re-integrating unemployed workers (active labor market policies), such as the provision of job search assistance, start-up grants, subsidized employment, mobility grants, fiscal incentives, social services, limits in the duration of benefits or mandatory participation in labor market policy schemes (for a full typology of active labor market policies see Eichhorst et al., 2008, p. 6). It follows that those countries where such measures are scarce or only focused on younger workers (Italy, Germany), have been less successful in fostering the prolonged employment and job transitions of older people as opposed to Scandinavian welfare states.

The **pension system and welfare arrangements**, that points at the incentives for retirement such as the minimum number of years required to qualify for a public pension, the cumulated duration of previous pension contributions and penalties for working after retirement, the generosity of benefits and the existence of functional equivalents to pensions that have already been described above. It follows that less generous systems such as those of liberal welfare regimes (UK, US) are characterized by later retirement than systems with high wage replacement, such as those of Central and Southern Europe. Scandinavian countries are situated in the middle.

Table 6.2 Comparative overview of factors affecting the position of vulnerable groups

<i>Institutional filters</i>	<i>Disabled</i>	<i>Migrants</i>	<i>Youth</i>	<i>Older workers</i>	<i>Country specific: Low educated</i>
<i>Employment relations system (wage setting)</i>		<ul style="list-style-type: none"> – High wage costs and strict EPL makes employers risk averse (discrimination) 	<ul style="list-style-type: none"> – High wage costs and strict EPL makes employers risk averse 	<ul style="list-style-type: none"> – high wage costs (age/seniority based wage system) – EPL and outplacement and early retirement regulations 	<ul style="list-style-type: none"> – High wage costs and strict EPL makes employers risk averse
<i>Occupational system and labour market boundaries</i>		<ul style="list-style-type: none"> – Educational system (Differences in educational outcomes between the second generation and natives are higher than in other countries - deterministic schooling system) – Recognition of foreign diplomas – Non-standard jobs – Ethnostratification of the labour market according to statute – Often employed in sectors that are vulnerable to economic downturn 	<ul style="list-style-type: none"> – Educational system (vertically segmented schooling system with high retention rates and too early tracking) – Mismatch between education and the labour market – LIFO-principle – Non-standard jobs 	<ul style="list-style-type: none"> – Lack of investment in LLL – Diploma culture when hiring – Lack of retention policy in companies 	<ul style="list-style-type: none"> – Diploma culture when hiring – Deterministic schooling system – Non-standard jobs – Often employed in sectors that are vulnerable to economic downturn – Risk of displacement by higher qualified

<i>Employment-sustaining policy (ALMP's)</i>	<ul style="list-style-type: none"> - Period of personal (on the job) coaching is not always long enough. 	<ul style="list-style-type: none"> - Lack of targeted policy 	<ul style="list-style-type: none"> - Transition from school to work 	<ul style="list-style-type: none"> - Policy is mainly targeted at getting people to work longer /keeping them in a job and less targeted at the (re)hiring of older workers - Lack of activation and support from the PES 	
<i>Pension and welfare system</i>	<ul style="list-style-type: none"> - Panacea of benefit schemes which are not all equally activating 	<ul style="list-style-type: none"> - Unemployment/ inactivity traps 		<ul style="list-style-type: none"> - Early retirement schemes 	<ul style="list-style-type: none"> - Unemployment traps
<i>Individual characteristics</i>	<ul style="list-style-type: none"> - Productivity losses 	<ul style="list-style-type: none"> - Language proficiency (vs language requirements of employers) - Type of migration: mainly family reunification - Less developed social networks and information asymmetries 	<ul style="list-style-type: none"> - Unqualified school leaving - Scarring 		
<i>Norms</i>	<ul style="list-style-type: none"> - System based on a deficit approach 	<ul style="list-style-type: none"> - Prejudice / discrimination 		<ul style="list-style-type: none"> - Prejudice / discrimination - culture of early retirement 	
<i>Policy (Governance & Content)</i>	<ul style="list-style-type: none"> - Mix of competencies between different state levels 	<ul style="list-style-type: none"> - Mix of competencies between different state levels 	<ul style="list-style-type: none"> - Mix of competencies between different state levels 	<ul style="list-style-type: none"> - Mix of competencies between different state levels 	<ul style="list-style-type: none"> - Mix of competencies between different state levels

	<ul style="list-style-type: none"> - Complexity of (competing) wage subsidies - Employment and job retention of disabled are on a voluntary basis (no quota) 			<ul style="list-style-type: none"> - Enforceability 	
<i>Interaction factors</i>	<ul style="list-style-type: none"> - Geographical mismatch and low geographical mobility - Labour supply and demand mismatch (due to delocalization, import from low wage countries and skill biased technological) 	<ul style="list-style-type: none"> - Geographical mismatch and low geographical mobility - Labour supply and demand mismatch (due to delocalization, import from low wage countries and skill biased technological) 	<ul style="list-style-type: none"> - Geographical mismatch and low geographical mobility - Labour supply and demand mismatch (due to delocalization, import from low wage countries and skill biased technological) 	<ul style="list-style-type: none"> - Geographical mismatch and low geographical mobility - Labour supply and demand mismatch (due to delocalization, import from low wage countries and skill biased technological) 	<ul style="list-style-type: none"> - Geographical mismatch and low geographical mobility - Labour supply and demand mismatch (due to delocalization, import from low wage countries and skill biased technological)

To conclude we list some notable observations.

- **Quantitative indicators** on the vulnerable labour market position of certain groups should be handled with care as there are often methodological issues (e.g. administrative versus survey data, self-assessment, small sample size) or country specific factors (e.g. type of migration, compulsory schooling age) that complicate interpretation.
- An important hiatus are data on the disabled at the Belgian level. Despite their limitations quantitative indicators can give important insights, so follow-up should be pursued also for the disabled.
- Within the studied vulnerable population groups there is heterogeneity for what regards vulnerability. Being **low educated** is a characteristic that runs transversally through all of the defined vulnerable groups and that can often explain the extent to which they are vulnerable.
- **The crisis hit vulnerable groups harder**, and in that way increased the distance from less vulnerable groups except for older workers.
- In spite of various anti-crisis measures and structural reforms to important labour market institutions (i.e. the retirement system and unemployment benefits) and a more activating labour market policy since the 2000s **some fundamental factors** that make the discussed groups vulnerable did not change (much). Examples are their employment in industries that are sensitive to economic fluctuations, the lack of mobility (insiders versus outsiders, from secondary to primary labour market, intra and intersectorial), mismatches on the labour market, high wage costs (especially in international perspective), the deterministic schooling system, ...
- The crisis changed the position of vulnerable groups but did however not change the essence of their vulnerability. Their vulnerability is for a large part an emanation of the **characteristics and structure of the Belgian labour market**.

- APPENDICES -

appendix 1 Statistics

a1.1 Regional indicators of the labour market

Table a1.1 Activity rate (15-64 year olds) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Flemish region	66.40	66.10	66.80	66.80	68.00	68.60	68.40	69.10	69.20	69.20	69.90	69.15	69.04
Walloon region	61.80	61.50	61.40	62.20	62.60	63.70	63.60	63.70	63.60	63.30	64.10	62.97	63.71
Brussels capital region	63.40	62.00	63.90	63.10	64.30	65.70	64.90	66.10	66.20	65.50	66.30	64.94	65.38
Belgium	64.60	64.20	64.80	64.90	65.90	66.70	66.50	67.10	67.10	66.90	67.70	66.72	66.94

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.2 Employment rate (15-64 year olds) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Flemish region	63.50	63.43	63.52	62.94	64.31	64.90	64.98	66.13	66.48	65.77	66.29	66.19	65.89
Walloon region	55.67	55.35	54.90	55.44	55.05	56.08	56.12	56.98	57.23	56.23	56.73	56.97	57.26
Brussels capital region	54.51	53.92	54.51	53.19	54.07	54.83	53.45	54.76	55.60	55.09	54.78	53.83	53.96
Belgium	60.15	59.94	59.89	59.59	60.33	61.07	60.99	62.05	62.40	61.60	62.01	61.92	61.85

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.3 Unemployment rate (15-64 year olds) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
Flemish region	4.34	3.99	4.92	5.71	5.45	5.46	4.99	4.36	3.95	4.96	5.19	4.29	4.55
Walloon region	10.37	9.95	10.61	10.87	12.06	11.93	11.75	10.53	10.07	11.22	11.50	9.53	10.12
Brussels capital region	14.07	12.98	14.73	15.74	15.90	16.47	17.69	17.17	16.03	15.85	17.39	17.11	17.48
Belgium	7.08	6.64	7.58	8.24	8.46	8.51	8.30	7.50	7.02	7.96	8.35	7.19	7.60

* Break in the data

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

a1.2 The Disabled

Table a1.4 Employment rate of people experiencing hindrance, Flemish region (%)

Survey*	Total population	People experiencing hindrance	Hindrance to some extent	Hindrance to considerable extent
LFS-2002	63.5	45.7		
LFS-2007 (2nd quarter) 20-64	71.5	42.7	57.2	25.3
LFS-2009 (year) 20-64	71.5	37.5	55.3	22.4
LFS-2010 (year) 20-64	72.1	33.5	53.8	18.2
LFS-2011 (year) 20-64	71.8	38.6	55.9	21.9

* LFS 2002: Do you have a disability or do you suffer from a long-standing health problem? Yes- No. LFS 2007-2009-2010-2011: Do you experience in your daily activities (at work or elsewhere) hindrances due to a disability, a long-term condition or illness (whether or not work-related) Yes, a lot. Yes, to some degree. No.
Source Samoy, 2013b

Table a1.5 Employment rate of people experiencing hindrance in daily activities (20-64 years old), Flemish region (%)

Hindrance	2007 (2nd quarter)	2009	2010	2011	2012
Yes, a lot	25.3	22.4	18.2	21.9	21.1
Yes, to some degree	57.2	55.3	53.8	55.9	58.2
Total experiencing hindrance	42.7	37.5	33.5	38.6	38.7
Without hindrance	77.4	76.0	77.3	77.0	76.7
<i>Difference without hindrance – experiencing hindrance</i>	34.7 ppts	38.5 ppts	43.8 ppts	38.4 ppts	38 ppts

* LFS 2007-2009-2010-2011: Do you experience in your daily activities (at work or elsewhere) hindrances due to a disability, a long-term condition or illness (whether or not work-related) Yes, a lot. Yes, to some degree. No

Source Samoy, 2013 & FOD Economie – AD Statistiek en Economische Informatie – LFS 2012 Bewerking : Department WSE.

Table a1.6 Employment rate of people experiencing hindrance in daily activities (20-64 years old), Belgium and its regions, 2012 (%)

Hindrance	Flemish region	Brussels Capital region	Walloon region	Belgium
<i>Yes, a lot</i>	21.1	22.8	21.7	21.5
<i>Yes, to some degree</i>	58.2	47.1	53.6	55.6
Total experiencing hindrance	38.7	32.8	33.8	36.2
Without hindrance	76.7	67.2	68.9	72.8
<i>Difference without hindrance – experiencing hindrance</i>	38 ppts	34.4 ppts	35.1 ppts	36.6 ppts

* LFS 2012: Do you experience in your daily activities (at work or elsewhere) hindrances due to a disability, a long-term condition or illness (whether or not work-related) Yes, a lot. Yes, to some degree. No

Source FOD Economie – AD Statistiek en Economische Informatie – LFS 2012 Bewerking : Department WSE

a1.3 Migrants

Table a1.7 Employment rate by nationality (15-64), Belgium 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belgian nationality	61.71	61.08	60.97	60.67	61.33	61.99	62.02	62.91	63.12	62.51	62.83	62.95	62.97
Other EU-country nationality	58.30	56.87	56.89	56.05	57.13	59.37	58.69	61.18	62.40	59.56	62.33	62.21	62.07
Non-EU nationality	33.29	32.86	32.61	32.54	35.44	34.85	34.33	38.20	39.85	38.80	38.22	37.39	36.16

* Until 2004 EU-15, as of 2005 EU-25, as of 2007 EU-27

Source Eurostat LFS (Bewerking Steunpunt WSE)

Table a1.8 Unemployment rate by nationality (15-64), Belgium 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 *	2011	2012
Belgian nationality	6.23	5.96	6.68	7.49	7.70	7.78	7.47	6.75	6.34	7.15	7.52	6.27	6.53
Other EU-country nationality	10.05	10.38	11.65	11.83	11.60	10.49	11.42	9.82	9.15	11.04	10.96	10.35	11.14
Non-EU nationality	29.75	25.73	33.74	31.57	31.49	33.51	32.92	29.52	27.40	29.46	30.57	27.76	30.74

* Break in the data; Until 2004 EU-15, as of 2005 EU-25, as of 2007 EU-27

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

a1.4 Youth

Table a1.9 Employment rate of youth (15-24 years old) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Flemish region	33.66	34.48	34.35	32.57	32.80	31.80	32.02	31.55	31.67	28.62	28.76	29.39	28.14
Walloon region	23.51	23.72	22.87	20.78	21.62	22.13	22.20	23.05	22.26	21.76	22.01	22.91	22.88
Brussels capital region	20.23	21.26	21.92	19.08	19.70	19.30	20.68	19.62	20.97	19.07	16.56	17.73	17.54
Belgium	29.04	29.68	29.37	27.36	27.79	27.31	27.58	27.49	27.40	25.32	25.23	25.99	25.26

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.10 Employment rate of youth exclusive students (15-24 years old) in Belgium and its regions, 2007-2012 (%)

	2007	2008	2009	2010	2011	2012
Flemish region	80.59	81.60	77.31	76.46	77.08	77.28
Walloon region	60.07	60.31	56.63	57.88	59.10	58.80
Brussels capital region	50.11	54.67	51.63	45.72	45.34	46.45
Belgium	70.78	72.01	67.69	67.09	67.61	67.60

* School leavers are defined as youth (15-24) who indicate that they were student in year X-1 and not studying anymore in year X; NR: not reliable.

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.11 Employment rate of school leavers (15-24 years old) in Belgium and its regions, 2007-2012 (%)

	2007	2008	2009	2010	2011	2012
Flemish region	67.57	71.72	61.58	63.19	62.35	62.88
Walloon region	46.55	49.30	38.46	38.78	43.86	42.23
Brussels capital region	NR	52.81	47.10	NR	NR	46.46
Belgium	58.05	62.15	51.45	51.49	53.74	54.17

* School leavers are defined as youth (15-24) who indicate that they were student in year X-1 and not studying anymore in year X; NR: not reliable

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.12 Unemployment rate of youth (15-24 years old) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
Flemish region	11.27	9.98	11.60	15.47	13.59	14.19	12.51	11.71	10.53	15.71	15.59	12.69	12.79
Walloon region	27.01	28.27	26.47	31.68	33.06	31.99	31.32	27.79	27.55	30.47	30.01	25.16	27.07
Brussels capital region	30.78	27.43	32.88	35.09	33.55	34.96	35.31	34.43	33.18	31.73	39.70	35.34	36.43
Belgium	17.55	16.92	17.74	21.74	21.19	21.54	20.51	18.84	17.97	21.94	22.40	18.73	19.75

* Break in the data

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.13 Unqualified schoolleavers (15-24 years old) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Flemish region	11.60	11.50	11.66	12.52	11.03	10.67	10.02	9.27	8.55	8.55	9.56	9.59	8.70
Walloon region	15.50	15.80	16.09	16.10	15.31	14.59	14.77	14.33	15.17	13.81	13.74	14.73	14.80
Brussels capital region	20.70	21.00	22.40	18.80	18.12	19.36	19.26	20.21	19.91	15.58	18.41	18.93	20.10
Belgium	13.80	13.80	14.11	14.30	13.14	12.86	12.57	12.08	11.98	11.08	11.92	12.33	12.00

* The figures of unqualified school leaving represent the proportion of young people (18-24 years) with only lower-secondary education who did not participate in training during a reference period of four weeks.

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.14 NEET rate (15-24 years old) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004*	2005	2006	2007	2008	2009	2010	2011	2012
Flemish region	NA	NA	NA	NA	NA	NA	NA	NA	6.34	7.29	7.47	8.47	9.24
Walloon region	NA	NA	NA	NA	NA	NA	NA	NA	14.59	16.11	14.62	15.21	15.36
Brussels capital region	NA	NA	NA	NA	NA	NA	NA	NA	16.25	15.15	17.00	18.77	19.24
Belgium	17.70	16.30	16.10	17.80	15.40	13.00	11.20	11.20	10.10	11.10	10.86	11.81	12.34

* Break in the data, NA: not available; Deze indicator geeft het aandeel jongeren dat noch een opleiding volgt, noch aan het werk is in de leeftijdsgroep 15-24-jarigen

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

a1.5 Older workers

Table a1.15 Activity rate (55-64 years old) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Flemish region	26.00	25.20	26.60	27.20	30.60	31.90	32.90	35.50	35.60	37.30	39.70	40.23	41.76
Walloon region	25.70	25.30	27.10	29.90	30.40	33.90	33.40	34.90	35.20	34.50	36.80	38.62	39.06
Brussels capital region	36.30	33.30	38.00	37.70	38.90	42.50	39.50	43.10	43.10	46.50	44.70	48.13	47.79
Belgium	26.80	25.90	27.70	29.00	31.20	33.40	33.60	35.90	36.10	37.20	39.20	40.33	41.35
EU-27	39.70	40.10	40.80	42.70	43.50	45.20	46.30	47.20	48.10	49.10	49.80	50.90	52.80

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.16 Employment rate (55-64 years old) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Flemish region	25.45	24.54	25.62	26.54	29.48	30.65	31.37	34.24	34.33	35.75	38.16	38.85	40.50
Walloon region	25.24	24.62	26.15	29.11	29.38	32.25	31.91	33.62	33.59	32.68	35.11	36.93	37.12
Brussels capital region	34.13	31.01	35.27	35.54	35.85	39.76	36.91	38.33	39.68	42.29	40.60	45.00	41.92
Belgium	26.13	25.11	26.59	28.10	29.98	31.92	31.99	34.37	34.51	35.25	37.34	38.71	39.49

* Break in the data

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.17 Unemployment rate (55-64 years old) in Belgium and its regions, 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
Flemish region	NR	NR	3.79	NR	3.51	3.81	4.57	3.45	3.60	4.27	3.97	3.43	3.02
Walloon region	NR	NR	NR	NR	NR	NR	4.58	NR	4.65	5.41	4.55	4.38	4.97
Brussels capital region	NR	NR	NR	NR	NR	NR	NR	NR	8.00	9.15	9.23	6.51	12.28
Belgium	3.00	3.21	4.08	2.97	3.89	4.41	4.76	4.24	4.36	5.11	4.63	4.03	4.49

* Break in the data; NR: not reliable

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.18 Socio economic position of the Belgian population(50-64 years old), 2003-2011 (%)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employed (fulltime + parttime)	42.38	43.50	45.81	45.71	47.97	48.00	49.06	50.93	51.60
<i>Fulltime employed</i>	33.31	33.45	34.59	33.65	35.27	34.55	34.67	35.66	-
<i>Parttime employed</i>	9.07	10.05	11.22	12.06	12.70	13.46	14.39	15.27	-
Unemployed (PES)	2.35	3.28	4.30	4.94	5.15	5.27	5.67	5.95	5.92
Older unemployed (PES), exempt from jobsearch obligations	8.16	7.52	6.70	6.03	5.46	4.97	4.58	4.22	3.88
Fulltime prépension, exempt from jobsearch obligations	6.01	6.03	5.81	5.76	5.75	5.63	5.58	5.56	5.38
Fulltime career break / timecredit	0.26	0.31	0.36	0.34	0.30	0.25	0.18	0.15	0.14
Other inactive	40.84	39.36	37.01	37.22	35.36	35.87	34.93	33.19	33.08
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source VDAB, RVA, NBB, FOD Economie - Algemene Directie Statistiek en Economische Informatie - LFS (bewerking Departement WSE/Steunpunt WSE)

a1.6 The low qualified

Table a1.19 Employment rate according to educational level (25-64 year olds), Belgium 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
Low educational level	50.28	49.06	48.76	48.93	48.78	48.97	48.99	49.79	49.43	47.96	48.91	47.72	47.72
Middle educational level	74.55	73.96	73.82	72.76	73.06	73.99	73.19	74.19	74.74	74.01	74.49	74.00	73.49
High educational level	84.63	84.56	83.74	83.60	83.87	84.19	83.60	84.90	84.72	84.22	83.99	84.19	84.56

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)

Table a1.20 Unemployment rate according to educational level (25-64 year olds), Belgium 2000-2012 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
Low educational level	9.83	8.47	10.25	10.70	11.68	12.39	12.29	11.35	10.84	11.88	13.19	12.06	12.08
Middle educational level	5.30	5.47	6.04	6.72	6.85	6.88	6.72	6.20	5.72	6.48	6.58	5.66	6.70
High educational level	2.71	2.73	3.50	3.54	3.86	3.72	3.74	3.30	3.17	3.80	4.02	3.39	3.43

Source FOD Economie - Algemene Directie Statistiek - LFS, Eurostat LFS (Bewerking Steunpunt WSE/Departement WSE)


appendix 2 Interviewees

REPRESENTATIVES OF REGIONAL AND/OR NATIONAL GOVERNMENT AND OTHER POLITICAL PARTIES WITH COMPETENCES IN LABOUR POLICIES			
	Name	Position	Institution
1	Erik Samoy	Policy Staff member	Flemish Government - Departement Work and Social Economy
2	Lieve De Lathouwer	Providing employment policy support; coördinator of the Centre of Expertise on Age & Employment; coördinator of Regional Checks	Flemish Government - Departement Work and Social Economy - Centre of Expertise on Age & Employment (eL&W)
3	Jan Vanthuyne	Director general	Belgian Federal Public Service Employment, Labour and Social Dialogue
4	Tom Bevers	Advisor	Belgian Federal Public Service Employment, Labour and Social Dialogue - Department of employment and labour market studies
INTERNATIONALLY OR NATIONALLY RECOGNIZED ACADEMICS IN THE FIELD OF LABOUR POLICIES AND VULNERABLE GROUPS			
	Name	Position	Institution
1	Joost Bollens	Researcher	HIVA-KU Leuven
REPRESENTATIVES OF EMPLOYER ORGANIZATIONS, EMPLOYEE ORGANIZATIONS AND NATIONAL LABOUR UNIONS WITH DEPTH KNOWLEDGE OF THE SITUATION OF VULNERABLE GROUPS			
National Labour Unions			
	Name	Position	Institution
1	Chris Serroyen	Head of the research department	ACV
REPRESENTATIVES OF NATIONAL ASSOCIATIONS OR NGOS DEFENDING THE RIGHTS OF VULNERABLE GROUPS (DISABLED PEOPLE, YOUNG PEOPLE, MIGRANTS, OLDER WORKERS).			
	Name	Position	Institution
1	Michaël Bennetsen	Member of staff / Researcher	Centre for Equal Opportunities and Opposition to Racism
2	Louise Callier	Member of staff / Researcher	Centre for Equal Opportunities and Opposition to Racism
3	Robert Crivit	Member of staff	Uit De Marge vzw Steunpunt voor jeugdwerk en jeugdbeleid met kinderen en jongeren in maatschappelijk kwetsbare situaties
ADDITIONAL EXPERTS			
	Name	Position	Institution
1	Philippe Delhez	Research department	National Bank of Belgium

2	Jan De Mulder	Scientific support for the High Council of Employment	National Bank of Belgium
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appendix 3 Map of relevant stakeholders in the country

STAKE HOLDER	NAME	WEBSITE	E-MAIL	PHONE	AREA
MIGRANTS	Minderhedenforum	http://www.minderhedenforum.be/	info@minderhedenforum.be	02/245 88 30	Dutch spLFSing part of Belgium
	ADDE - Association pour le droit des étrangers	http://www.adde.be	info@adde.be	02 / 227.42.42	French spLFSing part of Belgium
	Organisatie voor Clandestiene Arbeidsmigranten - OR.C.A.	http://www.orcasite.be	info@orcasite.be	+32 2 274 14 31	National
	Kruispunt Migratie Integratie - Expertisecentrum voor Vlaanderen - Brussel	http://www.kruispuntmi.be/	info@kruispuntmi.be	02 205 00 50	Flemish - Brussels
	Centre Bruxellois d'Action Interculturelle de Ambrassade	http://www.cbai.be/	info@cbai.be	02 289 70 50	Brussels
		http://ambrassade.be/	info@ambrassade.be	02 551 13 50	Flemish
YOUTH	Vlaamse Jeugdraad	http://www.vlaamsejeugdraad.be/contact/	info@vlaamsejeugdraad.be	02 551 13 80	Flemish
				02/413.29.30 –	
	Conseil de la Jeunesse	http://www.conseildela jeunesse.be/	conseil.jeunesse@cfwb.be	04/232.40.22 –	French spLFSing part of Belgium
	la Confédération des Organisations de Jeunesse Indépendantes et Pluralistes	http://www.coj.be/	info@coj.be	00 32 2/218 31 03	French spLFSing part of Belgium
OLDER PEOPLE	Vlaamse ouderenraad	http://www.vlaamse-ouderenraad.be/	info@vlaamse-ouderenraad.be	02 209 34 51	Flemish - Dutch spLFSing part of Belgium

DISABLED PEOPLE	Expertisecentrum Leeftijd & Werk (eL&W)	http://www.leeftijdenwerk.be/	lieve.delathouwer@wse.vlaanderen.be	02-553 08 44	Flemish
	Agence wallonne pour l'intégration des personnes handicapées	www.awiph.be	secgem@awiph.be	T 071/205.711	Walloon
	GRIP vzw	www.gripvzw.be	info@gripvzw.be	T 02/214.27.60	Flemish
	Vereniging voor mensen met een handicap	http://www.vfg.be		02 515 02 68	Flemish
	Vlaams Agentschap voor Personen met een handicap	http://www.vaph.be/	informatie@vaph.be	02 225 84 11	Flemish
NGOs	Vlaams Netwerk Armoede	http://www.vlaams-netwerk-armoede.be/	info@netwerktegenarmoede.be	02/204 06 50	Flemish - Dutch spLFSing part of Belgium
	Belgisch netwerk armoedebestrijding	http://www.bapn.be/?lang=2	info@bapn.be	02/265 01 53	National
	Réseau Wallon de Lutte contre la Pauvreté	http://www.rwlp.be/	 bureau@rwlp.be	+32 81 31 21 17	Walloon
	Forum bruxellois de lutte contre la pauvreté	http://www.fblp.be/	info@fblp.be	02/600.55.66	Brussels - French spLFSing
	Brussel Platform Armoede	http://www.brussels-platform-armoede.be/bpa/	gregory@brussels-platform-armoede.be	0499 199.660	Brussels - Dutch spLFSing
	Vlaams Steunpunt Lokale Netwerken SLN	http://www.sln.be/	info@sln.be	09 220 84 31	Flemish
PUBLIC AGENCIES	Centrum voor gelijkheid van kansen en racismebestrijding	http://www.diversiteit.be/	daco@cntr.be		National
	SERV - Sociaal-Economische Raad van Vlaanderen	http://www.serv.be/serv	serv@serv.be	02 20 901 11	Flemish
	CESW - le Conseil économique et social de Wallonie	http://www.cesw.be/	info@cesw.be	04/2329811	Wallonia
	BNCTO - Brussels Nederlandstalig Comité voor Tewerkstelling en Opleiding	http://www.bncto.be/	info@bncto.be	02/235.18.90	Brussels
	Tracé Brussel vzw	http://www.tracebrussel.be/	info@tracebrussel.be	02/511 99 72	Brussels

	Actiris	http://www.actiris.be/			Brussels
	VDAB	http://www.vdab.be/	info@vdab.be		Flemish
	Forem	http://www.leforem.be/			Wallonia
	Arbeitsamt der DG	http://www.adg.be/			German spLFSing community
	RVA NEO - National Employment Office	http://www.rva.be/			
TRADE UNIONS	ACLVB - CGSLB Liberale vakbond	http://www.aclvb.be	aclvb@aclvb.be	09 222 57 51	National
	ABVV - Socialistische vakbond	http://www.abvv.be		02 506 82 11	Flemish
	FGTB -Socialistische vakbond	http://www.fgtb-wallonne.be		08 126 51 52	Walloon
	Brussels ABVV - Socialistische vakbond	http://www.abvvbrussel.isnet.be		02 552 03 30	Brussels
	ACV - CSC Christelijke vakbond	http://www.acv-online.be		02 246 31 11	National
BUSINESS ORGANISATIONS	Unie van Zelfstandige Ondernemers (Unizo)	http://www.unizo.be	service@unizo.be	078 35 39 39	Flemish
	Verbond van Belgische Ondernemingen (VBO)	http://vbo-feb.be/	info@vbo-feb.be	+32 2 515 08 11	National
	UCM - l'Association des Classes Moyennes	http://www.ucm.be/			French spLFSing part of Belgium
	Belgische Boerenbond	http://www.boerenbond.be/	martine.tilkens@boerenbond.be	016 28 60 00	National
	Vlaams netwerk van ondernemingen - VOKA	http://www.voka.be/	info@voka.be	02 229 81 11	Flemish
	VERSO - Vereniging voor Social Profit Ondernemingen vzw	http://www.verso-net.be/	info@verso-net.be	02/739 10 71	Flemish
	UWE - L'Union Wallonne des Entreprises	http://www.uwe.be/	info@uwe.be	010 47 19 40	Walloon Region
	FWA -Fédération Wallonne de l'Agriculture	http://www.fwa.be/	fwa@fwa.be	081 60 00 60	Walloon Region

	UNIPSO - Union des entreprises à profit social	http://www.ufenm.be/	unipso@unipso.be	081/24.90.20	Walloon Region
	BECI - Brussels Enterprises Commerce and Industries	http://www.beci.be/	info@beci.be	02 648 50 02	Brussels
	Business and society	http://www.businessandsociety.be	info@businessandsociety.be		National

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